

EXHIBIT 3

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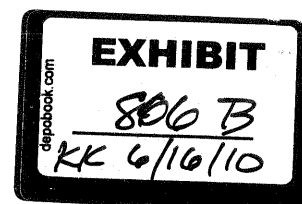
Product Control

Price testing policy

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Overview

The price testing or independent price verification process is a key control in ensuring the material accuracy of valuations. This policy document details recommendations for performance of the process and policies with the aim of unifying practice and creating consistency in the price testing process. The firm has control principles determining the role of price testing in the control infrastructure.

"Mark to market: All relevant trading positions are to be marked to market at bid/offer on a daily basis. For these purposes, the front office is responsible for ensuring that their inventory is appropriately priced. Product Control is responsible for independently reviewing and checking these prices"

Source: <http://intra.barcapint.com/content/supportsites/operatio/operatio/usefulli0/selfasse3/controlp/>

<http://news.barcapint.com/newsapp/view/2/article?story=85822>

A front office and PCG Sarbox process exists to monitor this control principle.

Scope

Price testing procedures should at a minimum cover all fair value positions in the trading book. Exceptions to this should be escalated to the head of product control and disclosed in the price testing results.

Other positions E.g. Fair value positions in the banking book and positions not marked to fair value should be considered in an overall review of valuation accuracy and where independent price verification procedures assist in this they should be adopted as best practice.

Frequency

Price testing must be performed on a monthly basis at a minimum. Where information is readily available, resources permit and analysis meaningful consideration should be given to a more frequent testing procedure. Where data is not available or positions are deemed insignificant, a programme of periodic review that takes into account any changes to risk or balance sheet should be performed. Where monthly information is not used this should be explicitly disclosed in the price testing results.

Documentation

In line with the firm's obligations under Sarbox, adequate documentation should be kept of the results and conclusions. All exceptions to the policy should be clearly disclosed on the report, results classified by quality Hard/Soft /Medium (see section on classification), commentary to include any adjustments to the balance sheet and documentation of the reason where external sources have not been used to adjust the valuation.

Price testing processes and methodology should be comprehensively documented and reviewed on a regular basis to ensure that documentation remains up to date. This should take account of factors such as completeness checks, data quality checks, systems used, valuation methodology (Price or model) and market data sources used.

Price Testing Meetings

An important part of the price testing process is to ensure that all stakeholders in the process have been consulted. There are a number of ways that the results can be communicated but preference is given to formal meetings dedicated to this subject. It is essential that front office and front office management are



involved in this process, have seen the results including any untested, are familiar with the testing methodologies and understand the conclusions. In addition to this, representatives from risk management, product control and any teams specifically performing price testing should discuss any issues raised and document conclusions in meetings either by business or group of businesses.

Reporting

A summary of the price testing results for the firm and conclusions is prepared each month by the Central Price Testing team, based on pricing template submissions. More details of this process are contained in Appendix 2. The disclosure should be consistent with the firm's standard hierarchy as through CHORUS and associated systems, eg GMIS. The results should be summarised based on this hierarchy and at the relevant trading management responsibilities. The reporting should also place the results in a historic context.

The Central Price Testing reports have a wide audience, including senior management from Finance and Risk as well as external parties such as auditors and the FSA. Therefore it is important that price testing submissions accurately reflect the price testing results.

Additional reports can also be prepared if requested by business areas or regions. These should be consistent in population and conclusions to the Central Pricing template. It is important that the results and conclusions are fairly represented to all interested parties.

It is vital that all material price testing results are communicated to the Front Office in a timely manner. The need for P&L adjustments following price testing should also be discussed with the Front Office. If there is a significant unresolved disagreement over the action to be taken, the issue must be escalated to senior PCG management and as part of the price test reporting.

The reporting should summarise the conclusions of the price testing process and specify any re-marks or reserves that have been implemented. Unless an external source is used for valuation, it is unlikely that the result will be zero. The need for reserves should take into consideration the quality of the data, the size of position, the extent to which results offset on a portfolio-wide basis and the risk in the portfolio.

For the purpose of central reporting, materiality is currently defined as a price testing difference of £1m for detailed commentary. A lower materiality will generally exist for individual asset reporting or for regional governance.

The timeliness of price testing reporting is important. Results must be available soon enough for full analysis and investigation to be performed if required. Results must be presented to Front Office and Product Control management in time to be relevant for decision making purposes. Automation of price testing processes should be considered where it could significantly bring forward the reporting date.

Classification of testing (Hard, Medium, Soft)

The actions taken as a result of price testing differences should take into account the quality of the data sources used in calculating them. To facilitate the consolidation of price testing results into a consistent format, results must be classified into Hard, Medium and Soft when reported. The classification will always involve judgement for example a Bloomberg source could be an average of market makers, a source from a single reference bank or using a Bloomberg model (Bloomberg fair value) and therefore the nature of the source should be fully understood for any underlying assumptions. Characteristics of good sources are detailed in the next section.

Classification	Conditions	Action*
Hard	Strong and reliable external source in data quality assessment (see	Results generally used to adjust the balance sheet unless exceptional circumstances exist



	following section)	Generally have a low limit for adjustment
Medium	Good external source in data quality assessment, however concerns exist over at least one criteria (Eg only single market source, multiple external sources may be inconsistent, data may not be for month end date, data may be from small broker, consensus data may be subject to wide spreads).	Results actively considered for balance sheet adjustment requiring justification if no adjustment takes place Generally have a medium limit for adjustment
Soft	External source of poor quality Eg proxy Testing subject to analytical technique, e.g. extrapolation	Result adjusted if significantly different from external. Generally have a high limit for adjustment.
Memo Item	Testing is a duplicate (E.g. testing to listed price where input testing is already taking place or to inputs where output price is available). Testing analyses arbitrage relationships (Eg stock quoted on two exchanges)	Result is an FYI and part of the body of evidence in any conclusions. Generally no reserves should be made based on these results.

* Also refer to Limit Framework Appendix 3

Data Sources

Price testing should use data sources that are most representative of the market and readily available. These will have a number of characteristics detailed in the table. All data should be considered, assessed and applied to portfolio. Price testing will always involve professional judgement of the data. No data should be dismissed due to weakness in one area below instead its relevance should be assessed in the action and conclusions and the process should seek to mitigate the weakness by additional processes which could include, Product control directly sourcing broker runs, using additional sources, performing analysis against trading data, extending quote requests to structures relevant to the portfolio.

Characteristic	Comment	Application
Independent	Data should be sourced directly by Product Control	Consensus data submissions should be run by product control using books and records market data and models Broker quotes should come in a tamper-proof data format (either direct email or link) and should be received in the normal course of business rather than through trader prompting
Reliable	Data should be readily available and be in a consistent format	Consensus data - Indications of reliability are a service with long maturity on a stable number of structures, tight spreads and standard deviations, large number of quality participants Broker data- Indications of reliability include a fixed Reuters quote page, a regular quote run, standard market structures and realistic bid/offer spreads
Regular market	Data should have well	Consensus/Broker data - Indications include generally



quote conventions	understood market data quote conventions	accepted quote conventions for strike/skew, price vs volatility, regular structures (Eg American or European basis), regular terms (Eg Correlation).
Executable	Data should be consistent with executable quote prices	Consensus data- Indications include data consistent with trades/broker information, data uses active market participants, data has narrow spreads. Data should be a market price rather than a model price.
Consistent	Multiple data should be consistent	Data should be consistent between multiple sources and internally consistent if multiple terms and strikes are used. Data should be consistent in terms of bid offer as shown by volume data and not a 1 sided market. The data should also be consistently applied throughout the firm.
Timely	Data should be observed close to evaluation date	Where price testing is done at a specific date (Eg month end) the source should reflect the observation close to the valuation point Consensus data- For exotic data, consensus data should be consistent with any evaluation of hedges. Broker Data- Broker data can sometimes be sourced intra day when trading occurs. Reference points such as spot levels should be used appropriately

Testing methodology model inputs vs. external prices

There is a natural interaction between the inputs used for modelling and the outputs that a model produces. In addition many products can be valued either as a price or using a model based approach. This may change during the life of a product due to factors such as price illiquidity, change in the listed vs OTC balance of a portfolio, increase in trading of more exotic or second generation products, problems in model calibration process. The reasons for any change in valuation should be understood and evidenced. This affects the testing methodology. The degree of assurance provided by a type of testing will be dependent on a number of factors, including those detailed below.

A certain amount of judgement must be applied and it is recommended that where both input (model based) and output methods (price based) are available, they should both be considered and disclosed in the testing work. Priority should be given to the result that is believed to be the most accurate and double counting should be avoided in the disclosure and in the need for any valuation adjustments. This will usually involve reporting duplicate price testing results for the same position as memo items.

Where a large difference exists in the output testing that does not exist in the input, consideration should be given to whether the model being used is correct E.g. American Option being modelled as a European.

Factor	Output testing indicator	Input testing indicator
Liquidity	Structure actively traded in fungible structures	Varied and inconsistent structures traded in the market
Complexity	Structure low complexity with one or two factors to model	Structure has high number of model inputs



Reliability of data	Quote source is frequently updated, consistently quoted and a recognised industry source	Output quote source is infrequently updated – Eg single broker quote
Number of sources	Multiple sources available	Single quote source available
Market structure variability	Structures have common name, terms – Eg standard ISDA docs, generally accepted modelling	No common market name, terms or modelling

Examples of the typical input and output testing are shown below.

Market	Input	Mid	Output
FI	LMM product	IR swap	Government Bond
Equity	Multifactor option	Cliquet	Convertible bond
FX	Chooser tarn	FVA	FX Forward
Credit	CDO ²	ABS Bonds	Corp Bond (Investment grade)

For reference a range of inputs is contained in Appendix 1 which should be reviewed to determine whether they are significant inputs into the model.

Untested items

In cases where neither input nor output price testing can be performed for a product (due to the lack of a suitable data source or any other reason) this must be reported along with the reasons why testing cannot be performed and any work undertaken to rectify this.

It will usually be the case that some model inputs for a product can be tested even if others cannot. The untested inputs should be disclosed and uncertainty metrics for these calculated (see below).

Use of golden source internal data

Where technically feasible market data used to value positions should use golden sources relying on the desk within the firm that is the principal market maker. Testing should be consistent with any work performed by the relevant PCG department supporting that market maker. It should not be automatically assumed that results are immaterial either to the product to be tested or that the variance is insignificant as the source is another internal department. In addition care should be taken when interpreting the data that it is an appropriate input for the model, for example whether the market data tag correctly uses volatility skew in the model.



Multi Asset Portfolios

One area that deserves specific consideration is multi asset portfolios, also known as hybrid or in some business areas Joint venture portfolios. Testing should not be considered solely as a test of most significant input and active consideration should be given to any minor risk factors that are known to be used in pricing the positions. The risk on these is frequently higher as the trading business can in some cases not have as strong an expertise in products, trading patterns and conventions applied. In some cases this will involve using data or processes that another team is involved in sourcing, analysing and verifying. In addition quote conventions should be understood and any inconsistency in the modelling of the risk factors taken account in the valuation. Concerns in modelling should additionally be referred to risk management and model validation departments as part of the LTA process.

Completeness Controls

As detailed above, the scope of testing is the population marked to fair value (including Available For Sale positions) and controls should be in place to identify this population. Controls that take account of the firm's balance sheet have a natural advantage in being aligned to the reporting in the financial statements and should be considered in the first instance.

For model based testing that uses the inputs and risk sensitivities controls based on the firm's official risk reporting when the feed is actively used in VaR calculations may be used as an alternative completeness control. The controls around the data should be understood and documented. The completeness controls should consider book and trade type. Where input based testing is used the controls should also ascertain whether the completeness of inputs is adequate to identify pricing variances

Where the firm has multiple positions which have inverse symmetry (back to back risk) this should be included in the testing process. Although the result will often have no impact to fair value there may be effects on other downstream processes E.g. Collateral/counterparty management.

Uncertainty Metrics

Part of the price testing process involves providing a context for the result. In the same way that multiple brokers will publish different prices and banks will provide different levels to consensus pricing services, there is often no single definition of market levels. Therefore results should be presented in the context of the size of position and variability of external information.

The uncertainty metric may be part of the firm's internal reserving methodology or may use measures such as balance sheet, risk based or scenario based calculations. The pricing result should rarely be outside the uncertainty range. A default level is defined in the price testing guidance in appendix 2. The testing process should not simply focus on a point level of value but the range of scenarios that can exist which could include;

- Stressing inputs to testing Eg stressing default rates by 10%,
- Valuing based on a syndication vs a securitisation scenario
- Using consensus/broker ranges to look at market variation Eg using correlation ranges for exotic submissions,
- Scenario analysis. Eg applying worst case percentile to historic data.



Limit monitoring

All positions should be considered in price testing and any known significant differences adjusted to P&L. For more details see the Limit Framework being implemented Q2 2009 Appendix 3.

Review of price testing methodology

Testing methodologies should always be subject to scrutiny to ensure that no false assumptions are being made in the process, particularly when testing more exotic products.

Care should be taken to avoid the use of incorrect analytics or methodologies leading to incorrect conclusions. This is especially the case for risk based testing. Examples of some potential issues are shown below, along with control processes that could be used to avoid them. The onus is on the tester to be comfortable that the method represents the correct balance sheet difference.

Problem	Controls
Methodology is risk-based but due to errors or assumptions in the derivation of inputs the result is inconsistent with balance sheet difference	Recommend recreating external price data using internal model input data. Eg recreate a MarkIt portfolio price using generated market data tags.
Incorrect assumption on the definition of risk.	Calculate the PV difference using externally generated market data tags and compare to risk based result
Exotic product results inconsistent with vanilla for same input	Compare any vanilla inputs derived from exotic services to vanilla inputs as part of vanilla services

Price testing methodologies should be regularly reviewed to ensure that they remain appropriate in light of any changes to the portfolio of products, market events, availability of pricing data, IT systems, etc.

Application of reserves and offsets

Fair value adjustments and reserves may be made against products for known weaknesses. The degree of judgment and uncertainty will be higher for more exotic products and for non executable external data. In evaluating this, PCG should take into account whether a model is industry standard, whether the reserve is a valuation adjustment or a parameter uncertainty, whether the application of the reserve supports the external price on a trade and portfolio basis. The use of multiple sources and trade data can assist in confirming that a price is executable.

Where a product is marked directly to bid/offer rather than a mid price, the price testing result should reflect the difference between internal and external fair value, ie if the internal is a mid price and external a bid/offer the effect of any bid/offer spread should be included in the result. If both prices are mid then no consideration should be given. The onus is on PCG to obtain evidence on whether it is a mid or bid/offer and document this.

In certain circumstances the valuation adjustment process uses market data in the calculation. This should apply the same standards as price testing in ensuring the data is preferably independent and reliable or otherwise subject to the testing process - Eg curve basis, volatility skew adjustments.

Where reserves are made as a result of price testing these should be calculated and disclosed in accordance with the Provisions Policy Statement and appropriately classified in PDB.



Interaction with Model sign off and LTA process

The LTA process is a fundamental control in the firm's model approval infrastructure. The process involves front office, Product Control, model validation and market risk. Documentation is disclosed on the Suzaku system. Queries relating to whether the process needs to be initiated should be forwarded to the model validation team in GFRM. For individual trades where LTA has not been granted the PTA approval process exists. Consideration of material inputs into the valuation of a product should be given for the conclusion of the LTA process. Where testing results raise concerns on the model usage this should be fed back into the LTA process this is especially relevant for exotic products where output prices are available. The LTA population will almost always have a defined, documented price testing process and will normally be a more advanced process than PTA.

Where PTA has been given, the model has not undergone as detailed a review as for LTA. The products should be reviewed for significant inputs and where possible tested and included in the price testing results. The conclusions will frequently be that an adjustment to balance sheet value should not be made given the model uncertainty. As the model has not been signed off there is a risk that either a significant input has not been identified or that it is being inappropriately used in the model. Concerns regarding this matter should be included in discussions on the prioritisation of LTA work.

Other work

Under the umbrella of price testing, additional work may be performed if required. For example:

- Analysis of knock out, number of participants, spread and standard deviation of data from consensus services,
- Analysis of relationship between revenue and price testing results
- Analysis of price testing history on specific books, traders, underlyings, parameters
- Feedback from consensus services
- Ad hoc analysis of topical issues in the markets

Version Control

Version	Editor	Comment
1.0	TF	
1.1	SB	Update for new price testing template guidance notes
1.2	SB	Update to remove details of old PCG Sarbox sign-off
1.3	TF	Limit Framework in appendix 3 and updates to relevant comments



Appendix 1: Example range of inputs

Volatility (IR, equity, FX, commodity)

Volatility skew/smile

IR yield curve

IR yield curve Fin bias

IR yield curve basis

Dividend assumptions/forward curves/repo rates

Credit spreads

Correlation

Prepayment rates

Binary/Overhedge levels

Bond levels (Government, sovereign, agency, corporate and ABS)

Index/asset spot levels

Recovery rates

Interpolation methods (shape, seasonality, year end turn adjustments)



Appendix 2: Central Price Testing guidance notes

The Pricing Template - A Product Controller's Guide

Purpose

The purpose of the pricing template is to be the standard communication medium for the delivery of price testing results and associated information.

This information is consolidated and presented to the heads of Product Control and Risk in the price testing meetings for the purpose of validation of the Barclays Capital month end financial statements.

Much of the consolidation of the templates is performed automatically so it is important that the standard format of the templates is maintained by all areas.

Scope

All business areas within Barclays Capital which have assets and/or liabilities in either their trading or available for sale books are required to submit details of price testing and/or untested items in the required format on the pricing template.

To further clarify:

- Full disclosure is required monthly on the entire portfolio, having being either tested or untested, irrespective of materiality.
- Information has to be provided on the template in the prescribed format set out below for each field.

The template has been revised to be compatible with the bank's CHORUS hierarchy, the single hierarchy to be used for all p&l and risk reporting. This will allow price testing results to be reported against the same structure as other management reports and should aid understanding of price testing results.

Template fields – Explanation and Format

[Date]	Last London business date in the month. Mandatory date field.
[Region]	Region to which price testing relates or whether it is a global result. Mandatory text field chosen from drop down box.
[GMIS Product Area]	CHORUS hierarchy level 3 area. Mandatory text field chosen from drop down box.
[GMIS Business Area]	CHORUS hierarchy level 4 area. Mandatory text field chosen from drop down box.
[GMIS Sub Product Area]	CHORUS hierarchy level 5 area. Mandatory text field chosen from drop down box.
[Price Testing Area]	Field for other relevant area information related to the price testing, not covered in the previous fields. Optional free form text field.
[Testing Type]	Whether the result relates to the price testing of a model input, an output price or an untested item. Mandatory text field chosen from drop down box.
[Memo Item]	Field to show if the results are for informational purposes only and not to be included in headline price testing results. For example, this will be the case where a price test covers items also tested elsewhere (to avoid double counting) and where a listed versus theoretical price test is not considered reliable due to stale listed prices. Mandatory text field chosen from drop down box.
[Pricing Quality]	Indication of the strength of the price testing result: hard, medium or soft. Factors that should be considered when determining strength include the quality and number of sources of external data, the accuracy of methodologies used and the coverage of the external data over the portfolio.



	Hard results are well supported by multiple sources of reliable external data and could potentially be used to re-mark the balance sheet.
	Medium results use less reliable market data or approximations when calculating pricing results; however price testing results are indicative.
	Soft results are based upon limited, proxy or historical market data and pricing results should be interpreted with care.
	Mandatory text field chosen from drop down box.
[Product]	Financial product asset classes.
	Mandatory text field chosen from drop down box.
[Parameter]	Indication of which pricing parameter is being tested for products with multiple pricing inputs. For any product with a single pricing input choose 'Underlying' e.g. bond prices. For products such as basket options with multiple pricing inputs all three parameters (Underlying, Volatility & Correlation) would apply.
	Mandatory text field chosen from drop down box.
[Product / Parameter Detail]	Used to provide more specific or granular detail into a product/asset class by splitting out the results on separate lines for the same parameter e.g. credit bonds/cds could be split into various credit classes, interest rate swaps and options could be split by currency, commodities options and forwards by resource, equity options by index/single stocks.
	Mandatory text field.
[Benchmark source]	Indication of the pricing benchmark source used to price test.
	Mandatory text field chosen from drop down box.
[Benchmark details]	Field for the specific details of the benchmark source(s) used for the price testing, for example the name of a broker source or pricing service.
	Mandatory text field.
Note on Portfolio Size fields:	
	Measurement of the portfolio size in GBP in terms of a balance sheet and/or risk value.
	If documented reconciliations are in place these should be equal to the numbers provided to measure portfolio size.
	Mandatory that at least one of the balance sheet fields contains a value.
[Balance Sheet– Asset]	Total GBP monetary value of assets / positive NPV, MTM only.
	Positive values only.
[Balance Sheet – Liability]	Total GBP monetary value of liabilities / negative NPV, MTM only.
	Negative values only.
[Positive Risk Value]	Total GBP risk value of assets / positive.
	Positive values only.
[Negative Risk Value]	Total GBP risk value of liabilities / negative.
	Negative values only.
Note on Price Testing Variance fields:	
	The net price testing variance is the sum of aggressive & conservative price testing results and month-end reserves - i.e. the overall over or under valuation to benchmark source as at the month-end date.



Mandatory that the aggressive and/or conservative price test result fields contain a value for all tested items.

Post month-end reserves or re-marks should also be disclosed for informational purposes although these will not be included in month-end reporting.

Commentary is required on individual line variances in excess of £1m aggressive or conservative.

[Aggressive Price Test Result]

Month-end differences where Books & Records (ledger) have a higher asset or lower liability value than the PCG benchmark i.e. the over valuation of assets and under valuation of liabilities to a benchmark source. This is prior to valuation adjustments.

Negative GBP values only. Aggressive results are always shown in the negative to express the P&L loss required to correct the balance sheet to the benchmark valuation.

[Conservative Price Test Result]

Month-end differences where Books & Records (ledger) have a lower asset or higher liability value than the PCG benchmark i.e. the under valuation of assets and over valuation of liabilities to a benchmark source. This is prior to valuation adjustments.

Positive GBP values only. Conservative results are always shown in the positive to express the P&L gain required to correct the balance sheet to the benchmark valuation.

[Month-end reserve]

Price testing reserves held for the month-end date. These may be taken at the beginning of the following month but only reserves included in the month-end balance sheet should be included.

The reserve will usually be a positive value to represent an adjustment (P&L loss) to correct an aggressive pricing result. GBP values only.

[Net Price Testing Variance]

The sum of Aggressive Price Test, Conservative Price Test and Month-end Reserve. Automatically calculated.

[Post month-end reserve]

Price testing reserves taken after the month-end date, which do not affect the month-end balance sheet. These are included for informational purposes but are not included in headline price testing results.

The reserve will usually be a positive value to represent an adjustment (P&L loss) to correct an aggressive pricing result. GBP values only.

[Post month-end re-mark]

Re-marks taken during the following month. These are included for informational purposes but are not included in headline price testing results.

This will be a positive value to represent an adjustment (P&L loss) which corrects an aggressive pricing result, or a negative value to represent an adjustment (P&L gain) which corrects a conservative pricing result. GBP values only.

Where possible, the amount disclosed should be the effect that the re-mark would have had on the month-end price testing result.

[Post month-end retesting]

If further testing has been performed which provides new and better evidence around a month-end price testing result, the effect that the new result would have on the month-end result should be disclosed here.

This will be a positive value to represent a retesting result (P&L loss) which offsets an aggressive pricing result, or a negative value to represent a retesting result (P&L gain) which offsets a conservative pricing result. GBP values only.

For example, if a month-end aggressive result has been retested against better data leading to a lower aggressive result, the difference between the two results should be disclosed here.

[Prior month net price testing variance]

Previous month's net price testing variance, copied from the last template submitted.

GBP values only



[Month-on-month movement]

Movement between net price testing variance and prior month net price testing variance. Automatically calculated.

[Result standard deviation]

Standard deviation of result where this is available – for instance some Totem pricing services.

Positive GBP values only

[Result Range]

Where a range of possible results is available, it should be include here. For instance, some pricing services provide bounded results and the value used in the template should represent the full + / - range bound. For example, if a Totem service has bounds of + or - £2m, a value of £4,000,000 should be entered into the template, to represent the entire range.

Positive GBP values only

[Exposure / Uncertainty]

This field is for the quantification of uncertainty in monetary terms, representing either the untested exposure or the pricing uncertainty on tested items.

Mandatory field. Negative GBP values only.

Untested Exposure

Quantification of the potential loss that could be incurred on an untested item.

For untested items the exposure can be represented by the level of reserves (uncertainty) held specifically against the price/input. If no reserves exist, standard methods are provided to quantify untested exposure based on either gross balance sheet or gross risk values.

Tested Uncertainty

Quantification of the potential loss that could be incurred due to uncertainty of benchmark pricing inputs i.e. where an average market or consensus price benchmark is used, the actual price to exit the position may not be the average price but could lie in a range around the average, a single benchmark source may not be reliable and proxy, historic and extrapolated sources are inherently uncertain.

Reserves such as bid-offer/uncertainty can be used to represent the untested uncertainty. If no reserves exist standard methods are provided to quantify untested exposure based on either gross balance sheet or gross risk values.

Exposure / Uncertainty Conventions

	Untested Exposure	Tested Uncertainty
1st		
All products	Specific Reserves	Specific Reserves
	or	
2nd		
All products	Product specific methodology	Product specific methodology
	or	
3rd		
Bonds	50c (Gross BS x 0.5/100)	20c (Gross BS x 0.2/100)
Volatility	2 vols (2x Gross Vega)	1 vols (Gross Vega)
Correlations	10% Correlation bump	5% Correlation bump
CDS DV01	5bps (5xDV01)	2bps (2xDV01)
IR Delta	5bps (5xDV01)	2bps (2xDV01)
Forwards	5bps (5xDV01)	2bps (2xDV01)
Loans	100c (Gross BS x 1/100)	20c (Gross BS x 0.2/100)
ABS	Gross BS x 10%	Gross BS x 5%

[Exposure / Uncertainty Explain]



Description of the method used to quantify Exposure / Uncertainty

Mandatory text field.

[Related reserves / implicit

reserves]

Reserves held against each product line. This should reconcile back to the Provisions Database.

Positive GBP values only.

[Reserve Type]

Description of the related reserves / implicit reserves value.

Mandatory text field chosen from drop down box.

[Comments]

To provide additional commentary where an option was chosen 'Other – please comment', to provide any additional commentary or mandatory if net variance is > £1m.

[Level 3]

An indication of whether the tested product is classified as "Level 3" for observability purposes.

Mandatory text field chosen from drop down box (Y/N).

[Accounting Treatment]

Accounting treatment used for instrument from the below list:-

Fair Value (through p&l)

Held-To-Maturity (amortised cost)

Loans & Receivables (amortised cost)

Available For Sale (through equity)

Mandatory text field chosen from drop down box

[CP Node]

The CP node(s) of the pricing result.

Optional text field

[Legal Entity]

The legal entity(ies) or company code(s) of the pricing result.

Optional text field

[Notes]

Any other notes or comments relevant to the price testing result should be recorded here.

Optional text field



Appendix 3: Limit Framework

Scope: As an overarching principle all mark-to-market positions should be included in price testing and any significant differences adjusted to P&L. The framework looks at defining significance and placing a materiality limit on it coupled with a reporting/escalation process.

Business level limits: As a minimum, a limit should be set at a Sub business Unit level also known as GMIS level 5 Eg FI Rates – Options, vanilla and exotics. Additional limits can be actively considered at a trader, book or portfolio level where it is felt appropriate for the management of the business

Size of limit: The limit should have consideration for the reliability of the pricing data, historic context, uncertainty in the market and size of the portfolio. The limit should be split by quality of results with hard classified as zero or a de minimis number, as all material differences should be adjusted. For medium results, a non-zero limit should be set. For soft testing limit will generally be larger. The Soft limit framework will frequently consider prior months results and a limit based on consecutive month excess is permitted. On the first instance the exception should be issued as a warning of a limit breach. Limit should consider market events and any transition between medium or untested/soft to identify consistent and reliable patterns that evidence the external mark or testing procedure is representative of market levels.

Acceptable methodologies: Acceptable methodologies for determining limits are included in Appendix 1. They should be documented subject to periodic review and form part of annual governance monitoring. Exceptions to methods below should be communicated to the Valuations Committee.

Approval: Limit Framework falls under the governance of the Valuations Committee and will be subject to an annual review.

Any questions on the limit process should be forwarded to the head of valuations and the central price testing group. The limit framework chosen should not override the Price Testing policy or any requirements under the accounting standards.

Limit communication process: Having discussed and agreed the limit with trading management, a summary should be reviewed and authorised by the relevant Trading manager (generally an Exco member) and sent to the relevant business COO, the head of Product Control and the head of Valuations. An identical process should be followed for any limit changes. A summary of current limits and changes will be presented to the Valuation Committee, as will a list of any breaches during that period, actions taken and unresolved items.

Interaction with other limits: The existence of limits does not mitigate the necessity for limits on VaR, risk levels, stop loss, credit exposure or for other purposes, however the limits should be consistent with the level of risk on the books.

Monitoring: Price testing variances (defined as the variance net of month end and post month end adjustments in the price testing templates) and how they compare to limits must be monitored and reviewed on a monthly basis by product controllers discussed at the relevant valuation meeting.

Action on breach: On breaching a limit an email should be sent to the relevant valuation review committee dealing with that business area and discussed at the next meeting. The communication process should include the Exco member for that trading area, head of trading for the specific sub business group (GMIS level 5), head of valuations, Product Control Director for that area. A recommendation and action plan will usually be generated at the latest meeting. This will generally involve adjusting the balance sheet by the level of the excess variance over the limit. If the breach has not been resolved or no action taken by the time of the next Valuation Committee, it will be raised at that committee.



Limit methodologies

- Proportion of VaR
- Proportion of close-out reserves
- Proportion of market observed spreads/standard deviations (can be represented as a proportion of balance sheet)
- Limits that already exist as part of the stop loss process
- Zero

For soft results a limit process that refers to consecutive exceptions is permitted.

EXHIBIT 4

1
2 UNITED STATES BANKRUPTCY COURT
3 SOUTHERN DISTRICT OF NEW YORK

4 -----x

5 In Re:

6 Chapter 11

7 LEHMAN BROTHERS Case No. 08-13555(JMP)
8 HOLDINGS, INC., et al., (Jointly Administered)

9 Debtors.
10 -----x

11
12 * * *HIGHLY CONFIDENTIAL* * *

13 DEPOSITION OF RICHARD LANDREMAN

14 New York, New York

15 June 16, 2010
16
17
18
19
20
21
22

23 Reported by:

24 KATHY S. KLEPFER, RMR, RPR, CRR, CLR

25 JOB NO. 31053

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<p>1 2 June 16, 2010 3 9:37 A.M. 4 5 Deposition of RICHARD LANDREMAN, 6 held at the law offices of Jones Day, LLP, 7 222 East 41st Street, New York, New York, 8 before Kathy S. Klepfer, a Registered 9 Professional Reporter, Registered Merit 10 Reporter, Certified Realtime Reporter, 11 Certified Livenote Reporter, and Notary 12 Public of the State of New York. 13 14 15 16 17 18 19 20 21 22 23 24 25</p>	<p>1 HIGHLY CONFIDENTIAL 2 3 A P P E A R A N C E S: 4 5 JONES DAY, LLP 6 Attorneys for Lehman Brothers, Inc. 7 222 East 41st Street 8 New York, New York 10017-6702 9 BY: KELLY A. CARRERO, ESQ. 10 TERRY McMAHON, ESQ. 11 RUSSELL LEINO (Summer Associate) 12 13 BOIES, SCHILLER & FLEXNER, LLP 14 Attorneys for Barclays 15 401 East Las Olas Blvd. 16 Fort Lauderdale, Florida 33301 17 BY: W. TODD THOMAS, ESQ. 18 19 20 21 22 23 24 25</p>
Page 4	Page 5
<p>1 HIGHLY CONFIDENTIAL 2 A P P E A R A N C E S: (Cont'd.) 3 4 QUINN, EMANUEL, URQUHART & SULLIVAN, LLP 5 Attorneys for the Creditors Committee 6 51 Madison Avenue 7 22nd Floor 8 New York, New York 10010 9 BY: ROBERT K. DAKIS, ESQ. 10 11 HUGHES, HUBBARD & REED, LLP 12 Attorneys for the SIPA Trustee 13 One Battery Park Plaza 14 New York, New York 10004-1482 15 BY: SAMUEL C. McCOUBREY, ESQ. 16 17 ALSO PRESENT: 18 MARC VELLRATH, FSG 19 20 21 22 23 24 25</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman 2 RICHARD LANDREMAN, called as a 3 witness, having been duly sworn by a Notary 4 Public, was examined and testified as 5 follows: 6 EXAMINATION BY 7 MS. CARRERO: 8 Q. Good morning, Mr. Landreman. My name 9 is Kelly Carrero. I'm with the law firm of 10 Jones Day. We represent Lehman Brothers holding 11 Inc. in this matter. I have with me my 12 colleague Terry milk man and one of our summer 13 associates, Russ Lino. I'll let other counsel 14 introduce themselves? 15 MR. DAKIS: Robert Dakis from Quinn, 16 Emanuel, Urquhart & Sullivan for the 17 Official Committee of Unsecured Creditors. 18 MR. McCOUBREY: Sam McCoubrey from 19 Hughes, Hubbard & Reed for the SIPA trustee. 20 MR. THOMAS: Todd Thomas from Boies, 21 Schiller & Flexner on behalf of Barclays and 22 the witness. 23 BY MS. CARRERO: 24 Q. Mr. Landreman, have you ever been 25 deposed before?</p>

Page 6	Page 7
<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 A. No.</p> <p>3 Q. So perhaps it's best if we go over</p> <p>4 some housekeeping rules. It's easiest and</p> <p>5 things run smoothly if you let me finish a</p> <p>6 question before responding and I'll try to do</p> <p>7 the same and wait to follow up with any</p> <p>8 questions until you have finished your response.</p> <p>9 If you need to take a break, I just ask that you</p> <p>10 answer whatever question is pending and then</p> <p>11 request a break and if it's an appropriate time</p> <p>12 to break, we'll try to accommodate your request.</p> <p>13 And, you know, if you have any</p> <p>14 questions or don't understand a question,</p> <p>15 please, you know, feel free to ask me to</p> <p>16 rephrase it and I'll try to clarify. So with</p> <p>17 that, let's get started.</p> <p>18 Mr. Landreman, can I ask you to tell</p> <p>19 us a little bit about your position with</p> <p>20 Barclays?</p> <p>21 A. I am a director of Securitized</p> <p>22 Products Independent Valuation Group. I've been</p> <p>23 with the firm now for six years. I manage a</p> <p>24 team of 11 analysts who perform all</p> <p>25 securitization tasks related to -- I'm sorry,</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 all valuation tasks related to balance sheet</p> <p>3 assets and that fall within the realm of</p> <p>4 securitized products.</p> <p>5 Q. And when you say the Independent</p> <p>6 Valuation Group, is that also what's known as</p> <p>7 the Product Control Group?</p> <p>8 A. We're a subcomponent of Product</p> <p>9 Control. We're -- we report in to Product</p> <p>10 Control, but within the Product Control lines,</p> <p>11 Independent Valuations has been pulled out as a</p> <p>12 specialty. I think that was done even before</p> <p>13 the Lehman acquisition in order to focus</p> <p>14 valuation resources towards valuation as opposed</p> <p>15 to line controllers and the accountants who do</p> <p>16 the daily reconciliations.</p> <p>17 Q. Could you explain to me a little bit</p> <p>18 more about how the PCG group is set up? You</p> <p>19 mentioned that the Independent Valuation Group</p> <p>20 is a subpart. What other parts are there of</p> <p>21 PCG?</p> <p>22 A. Well, within Product Control, the --</p> <p>23 or the middle office, they do a lot of</p> <p>24 reconciliation of the P&L for the lines, the</p> <p>25 businesses. So, for example, there may be, for</p>
Page 8	Page 9
<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 securitized products, there will be a group of</p> <p>3 controllers who manage the daily balance sheet</p> <p>4 P&L process for the business and then, on a</p> <p>5 monthly basis, that group is tasked with having</p> <p>6 the assets on the balance sheet independently</p> <p>7 reviewed by a pricing expert to make sure that</p> <p>8 the general ledger that's being reported and</p> <p>9 published is reviewed.</p> <p>10 Q. And are there any other components of</p> <p>11 PCG other than reconciliation of P&L as being</p> <p>12 one group and then your Independent Valuation</p> <p>13 Group?</p> <p>14 A. I mean, there's a Controls Group to</p> <p>15 make sure that the controls that are set in</p> <p>16 place are all managed, there's the Valuations</p> <p>17 Group, there's a Tax Specialty Group and whether</p> <p>18 those are part of Financial Control or Product</p> <p>19 Control. But every -- every business has its</p> <p>20 own line controller groups.</p> <p>21 Q. And when you say every business, how</p> <p>22 is it broken down?</p> <p>23 A. Well, by product specialties like</p> <p>24 commodities, securitized products, you know,</p> <p>25 agency debt, agency mortgages, fixed income,</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 credit. All the different businesses that the</p> <p>3 bank's involved with.</p> <p>4 Q. And are those official divisions</p> <p>5 within PCG by specialty group?</p> <p>6 A. I mean, there would be subject matter</p> <p>7 experts who know those assets and those</p> <p>8 businesses that would be managing the processes</p> <p>9 for each group.</p> <p>10 Q. And is it divided between Global PCG</p> <p>11 as opposed to US PCG?</p> <p>12 A. It's a big company. They're all over.</p> <p>13 Some businesses are global. Some businesses are</p> <p>14 local. It depends upon the specialty.</p> <p>15 Q. And in your six years with Barclays,</p> <p>16 have you been in the same role the entire time?</p> <p>17 A. With the growth of the mortgage</p> <p>18 business within Barclays during the time that I</p> <p>19 have been there, my role has gone from price</p> <p>20 testing to managing larger groups, a larger</p> <p>21 group of analysts who perform valuation on</p> <p>22 different mortgage-related assets.</p> <p>23 When I joined the firm, there was only</p> <p>24 an agency mortgage desk. We bought a mortgage</p> <p>25 servicer. We bought a sub-prime originator.</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 Q. And what would be the difference</p> <p>3 between price testing as opposed to valuation on</p> <p>4 different mortgage-related assets?</p> <p>5 A. Well, I mean, if I'm giving -- we</p> <p>6 would always call price testing a theoretical</p> <p>7 process where the trader gives us a mark and we</p> <p>8 test that price to see if it's valid.</p> <p>9 Q. And by contrast, what would valuation</p> <p>10 on different mortgage-related assets be?</p> <p>11 A. Well, I mean, we'll be performing a</p> <p>12 valuation on the mortgages. It's the matter is</p> <p>13 am I valuing mortgages or am I performing a test</p> <p>14 of the trader's price.</p> <p>15 Q. And in the instance where you're</p> <p>16 valuing mortgages, is that after the trader has</p> <p>17 already done it himself or in lieu of the trader</p> <p>18 doing it himself?</p> <p>19 A. Well, when we perform a valuation, it</p> <p>20 would be the same process regardless of whether</p> <p>21 I have a trader's price or not, so the way we</p> <p>22 price or we value securities.</p> <p>23 Q. I guess what I'm trying to understand</p> <p>24 is when would you have a trader's price and,</p> <p>25 therefore, engage in price testing as opposed to</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 when would you and your group engage in</p> <p>3 valuation of mortgages in the first instance?</p> <p>4 A. I'm not sure that -- what you're</p> <p>5 asking on that question, because the valuation</p> <p>6 is really -- it's the same. It's we're</p> <p>7 performing a valuation of a security. The</p> <p>8 question is, you know, do I have a data point</p> <p>9 from a trader who is responsible for this to --</p> <p>10 to review.</p> <p>11 Q. Following up on that, when would you</p> <p>12 have a data point from a trader to review as</p> <p>13 opposed to when would you not?</p> <p>14 A. We would have a data point to review</p> <p>15 if the traders own the assets because they're</p> <p>16 required to mark their portfolios to market on a</p> <p>17 daily basis.</p> <p>18 Q. And so would you, in the event that</p> <p>19 it's a new position, be the person or the group</p> <p>20 to value it in the first instance?</p> <p>21 A. No, the trader would. Whatever the</p> <p>22 trader actually acquired the asset for or traded</p> <p>23 it for.</p> <p>24 Q. And so you would be valuing it</p> <p>25 subsequent to the acquisition of it at whatever</p>
Page 12	Page 13
<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 price the trader --</p> <p>3 A. Right, we would be given the</p> <p>4 population at the end of the month and this is a</p> <p>5 portfolio and these were the trader's marks at</p> <p>6 the time.</p> <p>7 Q. And you would engage in a ground-up</p> <p>8 valuation of the securities as opposed to just a</p> <p>9 theoretical price testing in that instance?</p> <p>10 A. Correct. Well, in all instances, the</p> <p>11 valuation --</p> <p>12 MR. THOMAS: Go ahead and let her</p> <p>13 finish her question. You're starting to</p> <p>14 anticipate the finish of her question. But</p> <p>15 pause and let her finish her question,</p> <p>16 please.</p> <p>17 THE WITNESS: Okay.</p> <p>18 Q. It might help just to have a document</p> <p>19 in front of us.</p> <p>20 I'm going to put in front of you what</p> <p>21 we have premarked as 799B.</p> <p>22 (Exhibit 799B, Exhibit C, described as</p> <p>23 Bio for ABS, marked for identification, as</p> <p>24 of this date.)</p> <p>25 Q. Mr. Landreman, I have put in front of</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 you what I will represent to you was attached as</p> <p>3 an exhibit to a brief filed by counsel for</p> <p>4 Barclays in opposition to a motion we had filed</p> <p>5 to exclude Barclays' expert, Professor Paul</p> <p>6 Pfleiderer.</p> <p>7 Have you ever seen this document</p> <p>8 before?</p> <p>9 A. This document in front of me, yes.</p> <p>10 Q. And when did you see this document?</p> <p>11 A. I mean, I have a bio for my group and</p> <p>12 I've had this and the bio for my group always in</p> <p>13 existence because I always have qualifications</p> <p>14 of my staff available for audit and regulatory</p> <p>15 reviews. So this is a standard document that we</p> <p>16 normally have.</p> <p>17 Q. And is this document itself the bio</p> <p>18 for your group that was already in existence?</p> <p>19 MR. THOMAS: Objection to form.</p> <p>20 A. I'm sorry?</p> <p>21 Q. Perhaps let me rephrase that. Did you</p> <p>22 assist in preparing this document for purposes</p> <p>23 of this litigation?</p> <p>24 A. This document was in existence for at</p> <p>25 least for my group prior to this litigation. So</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman 2 it wasn't prepared specifically for this 3 litigation. It was a standard document that we 4 would have on file. 5 Q. And when you say for your group, do 6 you mean the people that fall in the first two 7 pages under I guess 1(A), Fixed Income APS, and 8 1(B), Fixed Income -- I'm sorry, I just mean 1A. 9 A. Just 1(A). 10 Q. And if you will look at the top of the 11 document, it says "Global Independent 12 Valuations." Is that the name of your group 13 within the Product Control Group? 14 A. Correct. 15 Q. And is that group run by Marcus 16 Morton? 17 A. Yes, he is -- yes, it is. 18 Q. And do you directly report to Mr. 19 Morton? 20 A. In the U.S., there's a U.S. head of 21 Valuations, Charles Utley, and Charles reports 22 directly to Marcus. 23 Q. And so would it be safe to say that 24 both you and Mr. Teague, who on this list fall 25 under Morton, actually have another layer</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman 2 between, and that would be Mr. Utley? 3 A. Correct. At the time of the Lehman 4 valuation, we were reporting directly to Marcus. 5 Charles was with the firm, but not in his role 6 as U.S. head of Valuations. 7 Q. When you say at the time of the 8 acquisition, does that include throughout the 9 period of time thereafter that you were valuing 10 the assets acquired? 11 MR. THOMAS: Objection to form. 12 Q. Go ahead and answer. 13 A. Charles was not involved in the 14 valuation of the opening day balance sheet for 15 or in supervising my group at that time. 16 Q. Could you tell me a little bit about 17 what products would be covered under your group, 18 which appears to be titled "Fixed Income ABS"? 19 A. We would be doing agency 20 mortgage-backed securities, agency 21 mortgage-backed securities CMOs, collateralized 22 mortgage obligations, all non-agency mortgage 23 structured products, including all day, option 24 ARM, prime, non-Agency RMBS, CDOs, CLOs that 25 were ABS or mortgage-related.</p>
Page 16	Page 17
<p>1 HIGHLY CONFIDENTIAL - Landreman 2 CMBS, commercial mortgage-backed 3 securities, asset-backed securities for 4 franchises, credit cards, student loans, auto 5 loans, et cetera. 6 Q. Would your group also be responsible 7 for munis? 8 A. No, they would not. 9 Q. How about corporates? 10 A. We would not be corporate or agency 11 debentures or Treasuries. 12 Q. And by that, would another name be 13 rates? 14 A. That would be under rates, yes. 15 Q. And how about options? 16 A. That would not be. 17 Q. Futures? 18 A. No. 19 Q. Equities? 20 A. No. 21 Q. With respect to the acquisition of 22 assets from Lehman, what asset classes did your 23 group have direct responsibility for 24 independently valuing? 25 A. Everything I mentioned earlier.</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman 2 Agency mortgages, agency CMOs, non-agency, 3 mortgage-backed securities, franchise ABS, 4 credit card ABS, student loan ABS. 5 Q. And is there a specific front office 6 desk or department that corresponds with the 7 assets that you are responsible for valuing? 8 A. Yes. There's a front office flow desk 9 for various assets, including agency mortgages, 10 non-agency mortgages, all the asset-backed 11 securities, and we also had some proprietary 12 trading desks in place as well that may have 13 owned mortgages that would have been performing 14 valuations that we reviewed their prices as 15 well. 16 Q. And if we could break it down a little 17 bit more in terms of, is it one desk that would 18 cover all of them? Is it various desks for each 19 of the respective assets? 20 A. Well, as we manage the businesses, so, 21 for example, Tom Hamilton, who owns the 22 securitized product business, has several 23 traders who manage desks for him, so I will have 24 a trader who only trades agency pass-throughs, 25 who only trades agency CMOs, who only trades all</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 day mortgages. So you can break it up by</p> <p>3 product specialists and there's a managing</p> <p>4 director or a director who runs that desk for</p> <p>5 that business.</p> <p>6 Q. And in the process of your group</p> <p>7 valuing the securities acquired in the Lehman</p> <p>8 transaction, would you work hand-in-hand with</p> <p>9 the traders in valuing them or are they</p> <p>10 independent processes?</p> <p>11 A. They're independent processes.</p> <p>12 Q. And are they undertaken simultaneously</p> <p>13 or concurrently?</p> <p>14 A. I'm sorry, I don't --</p> <p>15 Q. I'm just trying to understand, the</p> <p>16 processes that are independent, are they being</p> <p>17 undertaken one after the other or at the same</p> <p>18 time?</p> <p>19 A. Well, the business is required to mark</p> <p>20 their books on a daily basis, so they mark to</p> <p>21 market every day. We're mandated to test on a</p> <p>22 monthly basis.</p> <p>23 Q. Now, this brings us back to something</p> <p>24 that I think I wasn't understanding from earlier</p> <p>25 line of questions. The difference between price</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 testing as opposed to ground-up valuation.</p> <p>3 When you say that your group would</p> <p>4 normally test on a monthly basis, do you mean</p> <p>5 price test or do you mean independently value on</p> <p>6 a monthly basis?</p> <p>7 A. There really is not a difference. I</p> <p>8 have to perform a valuation in order to conduct</p> <p>9 a test, so I have to value the securities.</p> <p>10 Q. Are there instances where price</p> <p>11 testing wouldn't involve conducting an</p> <p>12 independent valuation and might be some other</p> <p>13 form of testing?</p> <p>14 MR. THOMAS: Objection to form.</p> <p>15 A. I mean, there could be, you know, some</p> <p>16 tests that are performed that maybe are like a</p> <p>17 proxy or a benchmark comparison to similar</p> <p>18 assets.</p> <p>19 Q. I apologize. I'm still not</p> <p>20 understanding the distinction you were drawing</p> <p>21 earlier in terms of the evolution of your role</p> <p>22 and where you made the distinction between price</p> <p>23 testing as opposed to valuation of the</p> <p>24 mortgages, and if you could explain to me what</p> <p>25 the difference is between what you were doing in</p>
Page 20	Page 21
<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 your earlier years at Barclays, price testing as</p> <p>3 opposed to what you were doing in your later</p> <p>4 years in terms of valuations.</p> <p>5 A. Well, early in my career, I was the</p> <p>6 primary analyst performing the valuation of all</p> <p>7 of the agency and non-agency mortgages. It was</p> <p>8 a smaller business when I first started, and the</p> <p>9 businesses have all grown since I've been there.</p> <p>10 So when we acquired the mortgage</p> <p>11 servicer, I also brought on two staff members to</p> <p>12 perform valuation of the mortgage servicing</p> <p>13 rights and also assist in other asset categories</p> <p>14 that were growing and becoming critical within</p> <p>15 my world.</p> <p>16 So I had a staff as of, you know, two</p> <p>17 years into it, and then, as more and more</p> <p>18 mortgage product was coming on and the credit</p> <p>19 crisis was starting to evolve, there was a</p> <p>20 centralization of all mortgage products into one</p> <p>21 group. So that all fell under me, so all of the</p> <p>22 sub-prime mortgages, we also had sub-prime whole</p> <p>23 loans when we acquired Equifirst down in North</p> <p>24 Carolina.</p> <p>25 So, as the business grew, my group</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 grew, and then we also consolidated all mortgage</p> <p>3 analytics in one group. Now I manage a group of</p> <p>4 12 people, the people that I brought in, I built</p> <p>5 the team, handpicked the analysts, and now it's</p> <p>6 really, similar to how the businesses are</p> <p>7 structured, I have specialists for each group</p> <p>8 and that person would conduct the price testing</p> <p>9 or the valuations for those assets and they</p> <p>10 would perform that regardless of whoever owns</p> <p>11 the assets. Because you may have some</p> <p>12 proprietary trading desks that might own similar</p> <p>13 assets to what a flow business would be.</p> <p>14 Q. And in terms of the business growing,</p> <p>15 which asset classes were not currently within</p> <p>16 Barclays' portfolio at the time of the Lehman</p> <p>17 acquisition that, subsequent to it, they had</p> <p>18 acquired?</p> <p>19 MR. THOMAS: Objection to form.</p> <p>20 Go ahead.</p> <p>21 A. The only category that I recall would</p> <p>22 have been the franchise ABS. We didn't have a</p> <p>23 large presence in the franchise ABS for my</p> <p>24 world.</p> <p>25 Q. How about Alt A?</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 A. We had that business.</p> <p>3 Q. And were there dedicated people within</p> <p>4 your group for each of the categories of ABS</p> <p>5 covered?</p> <p>6 A. There would be people who could cover</p> <p>7 multiple categories. So like Victor, Victor</p> <p>8 Tian would be my Alt A specialist. He was hired</p> <p>9 from American Home Mortgage. He worked on the</p> <p>10 trading desk at American Home Mortgage</p> <p>11 structuring Alt A securities. I had worked with</p> <p>12 Victor seven years ago in my prior life as a</p> <p>13 consultant on a Freddie Mac, so I'm aware of his</p> <p>14 expertise in the product space.</p> <p>15 Q. Why don't we continue down the list.</p> <p>16 Under Victor, and I apologize if I butcher any</p> <p>17 names here, what would Usman Babar cover?</p> <p>18 A. Usman was a Lehman employee, so he was</p> <p>19 still in the integration period while we were</p> <p>20 doing the valuations. He now does like</p> <p>21 asset-backed credit default swaps and illiquid</p> <p>22 sub-prime and manages a portfolio valuation</p> <p>23 which he distributes to people in the group.</p> <p>24 Q. And were former Lehman employees that</p> <p>25 went over to Barclays, were they involved in the</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 valuation of the securities that were acquired?</p> <p>3 A. No.</p> <p>4 Q. Were they consulted in any way in the</p> <p>5 process of valuing securities?</p> <p>6 A. To a very limited extent.</p> <p>7 Q. And what extent would that be?</p> <p>8 A. Well, Usman was, you know, familiar</p> <p>9 with who was doing some of the price testing of</p> <p>10 the assets, but on my initial interviews with</p> <p>11 certain people within the firm, I felt that we</p> <p>12 had a superior process to the valuation</p> <p>13 methodologies that were being employed within</p> <p>14 the Product Control space and we only hired two</p> <p>15 people out of their group.</p> <p>16 Q. And were those two people Usman and</p> <p>17 Jay Park?</p> <p>18 A. Yes.</p> <p>19 Q. And is that reflective of all that was</p> <p>20 hired or all that remained?</p> <p>21 A. All that was hired.</p> <p>22 Q. So let's just continue down the list.</p> <p>23 Richard Beame?</p> <p>24 A. Richard Beame has been with Barclays</p> <p>25 doing primarily all commercial mortgage-backed</p>
Page 24	Page 25
<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 securities and commercial whole loans.</p> <p>3 Q. And was he the primary person</p> <p>4 responsible for valuing any CMBS that was</p> <p>5 acquired from Lehman?</p> <p>6 A. No.</p> <p>7 Q. And who would have been that person?</p> <p>8 A. That would have been Victor Tian and</p> <p>9 myself. We didn't receive any investment -- I</p> <p>10 mean any quality CMBS. Most of this was mapping</p> <p>11 to one of the index for defaulted CMBS.</p> <p>12 Q. And moving down the list, Scott</p> <p>13 Ginsberg, what product did he cover?</p> <p>14 A. He would have been doing the agency</p> <p>15 mortgages. He had been with me for four years</p> <p>16 at that point.</p> <p>17 Q. And was he the primary person</p> <p>18 responsible for valuing any agency mortgages</p> <p>19 acquired from Lehman?</p> <p>20 A. Yes. Under my supervision.</p> <p>21 Q. Moving down the list to Vincent Pini,</p> <p>22 is -- would you tell me what his area of</p> <p>23 specialty is?</p> <p>24 A. His area of specialty would have been</p> <p>25 sub-prime mortgages and mortgage servicing</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 rights.</p> <p>3 Q. And did he have primary responsibility</p> <p>4 for valuing any of the securities that were</p> <p>5 acquired from Lehman?</p> <p>6 A. No. He would have been a participant</p> <p>7 in the analysis.</p> <p>8 Q. And did he participate in connection</p> <p>9 with any specific category?</p> <p>10 A. Mostly with the sub-prime</p> <p>11 mortgage-backed securities.</p> <p>12 Q. And could you be a little more</p> <p>13 specific when you say sub-prime? Would those</p> <p>14 fall within a specific asset category --</p> <p>15 A. The non-agency mortgage-backed</p> <p>16 securities.</p> <p>17 Q. And who else would have been involved</p> <p>18 in the valuation of the non-agency</p> <p>19 mortgage-backed securities?</p> <p>20 A. Jessica Wong. There was a large</p> <p>21 portion of securities that she had a specialist</p> <p>22 in -- specialist's knowledge in, which were like</p> <p>23 net interest margin securities and post-NIM, net</p> <p>24 interest margin residuals, which were very</p> <p>25 popular in the sub-prime market which we</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 received from Lehman, which we looked to see if</p> <p>3 there was any value to those securities because</p> <p>4 we had already written off nearly all of ours to</p> <p>5 zero at that time. So when we got those</p> <p>6 securities, we wondered what they were.</p> <p>7 Q. Was anybody else within your group</p> <p>8 involved in the valuation of non-agency</p> <p>9 mortgage?</p> <p>10 A. Imran Ansari would have been involved</p> <p>11 in the CDOs and CLOs that would have been able</p> <p>12 to have been modeled within our group.</p> <p>13 Q. I got confused there because I think</p> <p>14 he's the only one whose name is backwards.</p> <p>15 A. No, Imran Ansari. Ansari is his last</p> <p>16 name.</p> <p>17 Q. The others are first, last.</p> <p>18 A. Oh, okay.</p> <p>19 Q. So, okay. I got it.</p> <p>20 Anyone else for non-agency mortgages?</p> <p>21 A. That should be about it.</p> <p>22 Q. And who had primary responsibility for</p> <p>23 the valuation of non-agency mortgages?</p> <p>24 A. Victor Tian.</p> <p>25 Q. I think we've covered everybody but</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 perhaps the last name on the list.</p> <p>3 A. Eli Bloshtein.</p> <p>4 Q. Yes. And did he have any involvement</p> <p>5 in valuing any of the securities?</p> <p>6 A. Minimal. He would have been -- he's a</p> <p>7 junior analyst who was part of a finance</p> <p>8 rotation analyst program. So he would have, if</p> <p>9 anything, done formatting of reports and</p> <p>10 learning how to value securities.</p> <p>11 Q. Earlier when I had asked you about</p> <p>12 whether any of the former Lehman people who</p> <p>13 joined your group had any involvement in valuing</p> <p>14 any of the assets acquired, you had said no but</p> <p>15 mentioned some interviews at the outset of</p> <p>16 valuing. And perhaps I'm misstating that.</p> <p>17 My question really is, at the outset</p> <p>18 of the valuation process, did you conduct any</p> <p>19 interviews of any former Lehman employees?</p> <p>20 MR. THOMAS: Objection to form.</p> <p>21 A. No, I was -- I returned from vacation.</p> <p>22 I was handed a group of securities that needed</p> <p>23 to be valued and I assigned my team the</p> <p>24 responsibility of commencing the valuations, and</p> <p>25 we were working on that for a few weeks before I</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 actually met anybody from Lehman.</p> <p>3 Q. So, in the process of valuing any of</p> <p>4 the securities for which you and your team had</p> <p>5 responsibility, you did not use any information</p> <p>6 obtained from Lehman or any information based</p> <p>7 off of interviews with anybody from Lehman?</p> <p>8 MR. THOMAS: Objection to form.</p> <p>9 A. No.</p> <p>10 (Exhibit 800B, a document bearing</p> <p>11 Bates Nos. BCI-EX-(S)207964 through 207969,</p> <p>12 with attachment, marked for identification,</p> <p>13 as of this date.)</p> <p>14 Q. Mr. Landreman, I'm going to hand you</p> <p>15 what has been premarked as Deposition Exhibit</p> <p>16 800B.</p> <p>17 MR. THOMAS: When you're saying</p> <p>18 "premarked," they have been premarked for</p> <p>19 this deposition? They haven't been</p> <p>20 premarked in other depositions?</p> <p>21 MS. CARRERO: Yes, thank you for</p> <p>22 clarifying. In an effort to save time, I</p> <p>23 had done it before we started.</p> <p>24 Q. Let's take a moment to look through</p> <p>25 the document.</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 A. Okay.</p> <p>3 Q. If I could just direct your attention</p> <p>4 to the e-mail at the top from Mr. Teague to you,</p> <p>5 among others, dated October 27. Do you see</p> <p>6 where in that e-mail it starts, "Each</p> <p>7 spreadsheet should back up one of the tabs in</p> <p>8 the attached file," which is followed by a list</p> <p>9 of asset classes and names next to it?</p> <p>10 A. Yes.</p> <p>11 Q. Do the names next to each of these</p> <p>12 asset classes fairly reflect the people that</p> <p>13 were working on the valuations of each of those</p> <p>14 asset classes?</p> <p>15 MR. THOMAS: Objection to form.</p> <p>16 Foundation.</p> <p>17 A. I really can speak to the areas that</p> <p>18 I'm familiar with, which would be the PMTG and</p> <p>19 RMBS, which it -- say yes. I would need to see</p> <p>20 what he -- in terms of rates, I would only be</p> <p>21 involved in the rates as it related to their</p> <p>22 mortgage involvement, not the fixed income,</p> <p>23 Treasuries or agency debentures.</p> <p>24 Q. Using the asset class names that we</p> <p>25 had used before, what would PMTG cover?</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 A. Everything in my world.</p> <p>3 Q. Could you be more specific?</p> <p>4 A. Agency mortgage-backed securities,</p> <p>5 agency collateralized mortgage obligations,</p> <p>6 non-agency, all day non-agency sub-prime,</p> <p>7 non-agency ABS, credit card securitizations,</p> <p>8 auto securitizations, student loans, franchise</p> <p>9 securitizations.</p> <p>10 Q. And so would it be fair to say the</p> <p>11 only thing not covered under PMTG that your</p> <p>12 group is also responsible for is RMBS?</p> <p>13 MR. THOMAS: Objection to form.</p> <p>14 A. I'm sorry, could you repeat that?</p> <p>15 Q. My question is, based off of the</p> <p>16 division within Deposition Exhibit 800B of RMBS</p> <p>17 and PMTG, I'm asking, does that reflect what</p> <p>18 your group would cover?</p> <p>19 A. Does -- so does the listing of the</p> <p>20 product categories as defined by Sean in his</p> <p>21 e-mail coincide with the products that I would</p> <p>22 price test?</p> <p>23 Q. Exactly.</p> <p>24 A. As I said, yes, and PMTG, the assets</p> <p>25 in PMTG that were related to my business would</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 be price tested or valued in my group; and if</p> <p>3 they held corporates or if they held munis or</p> <p>4 they held equities, we would distribute those to</p> <p>5 the subject matter experts who would do the</p> <p>6 valuation of those specific instruments for that</p> <p>7 portfolio.</p> <p>8 Q. So you cover some asset categories</p> <p>9 that would fall under PMTG, but not all asset</p> <p>10 categories that fall under PMTG?</p> <p>11 A. Correct.</p> <p>12 Q. And your group would cover all RMBS;</p> <p>13 is that correct?</p> <p>14 A. Correct.</p> <p>15 Q. And while your name is next to</p> <p>16 "Rates," your group would not ordinarily cover</p> <p>17 rates; is that correct?</p> <p>18 A. Correct.</p> <p>19 Q. And going down the list, starting with</p> <p>20 rates, next to your name there's a name E-L-L-Y.</p> <p>21 Do you know who that is?</p> <p>22 A. Yes. That's Elly Pu.</p> <p>23 Q. And is Elly Pu within your group?</p> <p>24 A. She was in Sean's group working on the</p> <p>25 municipals valuations.</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 Q. And by Sean, you mean Sean Teague?</p> <p>3 A. Yes.</p> <p>4 Q. And how about Scott, do you know who</p> <p>5 Scott is?</p> <p>6 A. Yes. Scott would be reference to</p> <p>7 Scott Ginsberg, and he would have been doing the</p> <p>8 agency mortgage-backed securities.</p> <p>9 Q. So some securities within rates would</p> <p>10 fall under your group's responsibilities; is</p> <p>11 that correct?</p> <p>12 A. Only if they were mortgage-backed</p> <p>13 securities.</p> <p>14 Q. And the term "agency" here reflects</p> <p>15 agency mortgage-backed securities?</p> <p>16 A. I don't know that. You should ask</p> <p>17 Sean what he was referencing.</p> <p>18 Q. And RMBS next to your name, there's</p> <p>19 Victor and Scott. Would that be the Victor and</p> <p>20 Scott that were referenced on Deposition Exhibit</p> <p>21 799B?</p> <p>22 A. Correct.</p> <p>23 Q. Kevin Jhea and Heidi Su, would those</p> <p>24 be individuals within Sean Teague's group?</p> <p>25 A. Correct.</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 Q. And how about Mr. Washtell?</p> <p>3 A. Mr. Washtell is a director in charge</p> <p>4 of equities. He would be my counterpart in the</p> <p>5 equities world.</p> <p>6 Q. And did he have primary responsibility</p> <p>7 for valuing the equity positions acquired from</p> <p>8 Lehman?</p> <p>9 A. It's my understanding that he did, but</p> <p>10 you may want to check with him just to make</p> <p>11 sure.</p> <p>12 Q. And are you aware of any other asset</p> <p>13 classes for which he had responsibility valuing</p> <p>14 securities from the Lehman acquisition?</p> <p>15 A. I couldn't say with certainty what</p> <p>16 other asset categories he covers.</p> <p>17 Q. Mr. Landreman, I'm putting before you</p> <p>18 what has been marked Deposition Exhibit 801B.</p> <p>19 (Exhibit 801B, a document bearing</p> <p>20 Bates Nos. BCI-EX-(S)201185 through 201187,</p> <p>21 marked for identification, as of this date.)</p> <p>22 Q. Can you take a moment to review it.</p> <p>23 If I could direct your attention to</p> <p>24 the attachment to this document, and --</p> <p>25 A. Okay.</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 Q. The very left-hand column has a list</p> <p>3 of asset classes, and then a column or two</p> <p>4 columns over, there are lists of names under a</p> <p>5 column titled "PCG Owner." Do you see that?</p> <p>6 A. Yes, I do.</p> <p>7 Q. Are you familiar with most of the</p> <p>8 names on this list?</p> <p>9 A. Yes, I am.</p> <p>10 Q. Can we just take a look at the "U.S.</p> <p>11 Agency CMO" line as well as the "U.S. Agency</p> <p>12 Pool" line, there's an individual by the name of</p> <p>13 Joe Kaczka. Could you tell me who he is?</p> <p>14 A. Joe Kaczka is the controller for the</p> <p>15 businesses, the line controller for the</p> <p>16 businesses. He's responsible for the day-to-day</p> <p>17 middle office operation of the balance sheet</p> <p>18 reconciliation, the P&L reporting.</p> <p>19 Q. So this would tie back to our earlier</p> <p>20 discussion about the different subgroups within</p> <p>21 Product Control and the functions of controller</p> <p>22 as opposed to your group, which did independent</p> <p>23 valuations?</p> <p>24 MR. THOMAS: Objection to the form of</p> <p>25 the question. Lack of foundation,</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 especially with respect to the document.</p> <p>3 A. My understanding is that the names</p> <p>4 here were the line controllers for the</p> <p>5 respective businesses that were on this</p> <p>6 spreadsheet.</p> <p>7 Q. And these individuals were not within</p> <p>8 the Valuation Group, whether it be yours or Sean</p> <p>9 Teague's; they work for a different part of PCG;</p> <p>10 is that correct?</p> <p>11 MR. THOMAS: Objection to form.</p> <p>12 A. Correct. These were the line</p> <p>13 controllers.</p> <p>14 Q. Are any of these line controllers</p> <p>15 former Lehman employees?</p> <p>16 A. I don't know.</p> <p>17 Q. Can you tell me a little bit about --</p> <p>18 can you tell me, starting with the non-Agency</p> <p>19 RMBS, how in the normal course you and</p> <p>20 individuals within your group would go about</p> <p>21 valuing a security of that class?</p> <p>22 MR. THOMAS: Objection to form.</p> <p>23 A. For the non-Agency RMBS, as part of</p> <p>24 our monthly process, we have full transparency</p> <p>25 to see what our trading desk is doing, so we see</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 all of the positions that they buy and sell on a</p> <p>3 daily basis. So we monitor those trades and we</p> <p>4 use those trades as observable benchmarks to</p> <p>5 produce a spread matrix or a valuation input</p> <p>6 from those observable trades.</p> <p>7 Victor manages that process. So, as</p> <p>8 we're benchmarking our trades, we'll solve for,</p> <p>9 using the trade price on that day, we'll solve</p> <p>10 for a spread. We'll look at the characteristics</p> <p>11 of that bond and provide certain measurements in</p> <p>12 terms of amounts of credit support, current</p> <p>13 ratings, current delinquency pipelines of that</p> <p>14 specific bond so we could take the trade price</p> <p>15 from that bond and make a rationalization as to</p> <p>16 what a comparable bond might trade.</p> <p>17 So we track all of the spread</p> <p>18 matrices. We look at all of the historical</p> <p>19 data. We do also review our competitor spread</p> <p>20 publications for standard market research. We</p> <p>21 do source and obtain vendor prices to see if</p> <p>22 there's any reliability in some of their marks</p> <p>23 or their indications.</p> <p>24 So but it's really on a bond-by-bond</p> <p>25 basis we will review each bond and we will look</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 to see what the current collateral performance</p> <p>3 is of the underlying bond. We'll apply a spread</p> <p>4 to that from an observable trade matrix and</p> <p>5 perform a valuation and review that in</p> <p>6 conjunction with our expectations of where we</p> <p>7 think things would trade or how we currently</p> <p>8 price things in our existing books and records.</p> <p>9 Q. And is there a formal policy and</p> <p>10 procedure that governs what steps are taken in</p> <p>11 the valuation process of non-Agency RMBS?</p> <p>12 A. Yes. There was a policy and a</p> <p>13 procedure that's been published and documented</p> <p>14 and reviewed by internal audit, by PwC. The</p> <p>15 entire process is regularly audited by our</p> <p>16 external auditors and also our internal auditors</p> <p>17 and other regulatory agencies.</p> <p>18 (Exhibit 802B, a document bearing</p> <p>19 Bates Nos. BCI-EX-297092 through 297113,</p> <p>20 marked for identification, as of this date.)</p> <p>21 (Exhibit 803B, a document bearing</p> <p>22 Bates Nos. BCI-EX0297114 through 297134,</p> <p>23 marked for identification, as of this date.)</p> <p>24 (Exhibit 807B, a document bearing</p> <p>25 Bates Nos. PwC-BarCap45788 through 45792,</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman 2 marked for identification, as of this date.) 3 Q. Mr. Landreman, I have put before you 4 what has been marked Deposition Exhibits 802B, 5 803B and 807B. If you could take a moment to 6 look them over. 7 MR. THOMAS: Could you just identify 8 the titles according to the number? 9 MS. CARRERO: Sure. No problem. 10 802B is titled "Fixed Income Credit 11 Products, Price Testing Policy," Bates 12 number on the first page is BCI-EX00297092. 13 Deposition Exhibit 803B is titled 14 "Global Financing Credit Products, Price 15 Testing Policy," and it has Bates numbers 16 BCI-EX-00297114 on the first page. 17 And Deposition Exhibit 807B is an 18 e-mail Bates-stamped PwC BarCap 00045788, 19 with attachments. 20 Q. If you would like, we can just take 21 them one at a time. If you've had a chance to 22 review Deposition Exhibit 802B, perhaps we can 23 start there. 24 A. Sure. 25 Q. Have you seen this document before?</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman 2 A. This is Sean's price testing policies 3 and procedures for his credit products. It's 4 not my business line. 5 Q. And so this would cover some ABS 6 securities, but not the non-Agency RMBS 7 securities? 8 A. Not the cash bonds. This would have 9 been any derivatives or swaps or CDS. 10 Q. Would a similar policy exist for your 11 group? 12 A. Yes. 13 Q. And if I could just turn your 14 attention to page 5 of the document. Looking 15 under the heading "Asset-Backed Securities," the 16 second paragraph, do you see the first sentence 17 that says, "The principal mortgage trading 18 group, PMTG, is the former CDO desk"? 19 A. I see that. 20 Q. Is that an accurate description of 21 PMTG? 22 A. I don't know that for a fact. I know 23 there were lots of people in PMTG. I don't know 24 if all of them were from the CDO desk. I don't 25 know the origin of all of the people who are on</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman 2 PMTG. 3 Q. But PMTG, the PMTG desk would cover 4 more than just CDOs; is that correct? 5 A. It was -- the acronym was the 6 Proprietary Mortgage Trading Group, so -- or, 7 the Principal Mortgage Trading Group. So they 8 were mostly mortgages, so they would do some 9 CDOs and CLOs. But the market hadn't been 10 seized at that point, so there was no issuance 11 of CDOs or CLOs. 12 Q. Turn your attention to what has been 13 marked Deposition Exhibit 803B. And have you 14 seen this policy before? 15 A. No, I have not. 16 Q. And just from your quick review, does 17 it appear to be also a policy that governs Sean 18 Teague's area? 19 A. Correct. 20 Q. We can move on to the next document. 21 Take a look at Deposition Exhibit 22 807B. 23 A. Uh-huh. 24 Q. And do you see the e-mail at the 25 bottom from Scott Ginsberg to Christopher</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman 2 Merchant at PwC CC-ing you, among others, 3 attaching what is titled a "Lehman Purchase 4 Outline"? 5 A. Yes. 6 Q. And if you could turn to the 7 attachment to the e-mail, which is titled 8 "Lehman Acquisition Price Verification Process," 9 do you see that? 10 A. Yes. 11 Q. Have you seen this document before? 12 A. I don't recall it, but it appears 13 accurate to my recollection of what the process 14 was at the time. 15 Q. And when you say the process at the 16 time, do you know when this process was put in 17 place? 18 A. I mean, it's really the same process 19 we've always employed. The loss coverage ratio 20 and the current credit support calculations were 21 implemented several months earlier around the 22 time of the Bear Stearns crisis because the 23 market was met -- the market conditions 24 warranted reviewing Alt A collateral and 25 mortgage-related collateral based upon, you</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 know, amounts of credit support that were</p> <p>3 available.</p> <p>4 Q. Would the contents of this outline</p> <p>5 reflect what would be found in the formal</p> <p>6 policies and procedures governing this area of</p> <p>7 your group?</p> <p>8 MR. THOMAS: Objection to form.</p> <p>9 A. This -- the hierarchy of sources and</p> <p>10 the process should be in the policies and</p> <p>11 procedures.</p> <p>12 Q. And did you have any involvement in</p> <p>13 drafting this outline?</p> <p>14 A. I would have reviewed it before it</p> <p>15 went out.</p> <p>16 Q. Do you recall if it was prepared at</p> <p>17 the request of PwC?</p> <p>18 A. As part of PwC's detailed review of</p> <p>19 our process, Christopher Merchant, their subject</p> <p>20 matter expert, who focuses only on mortgage</p> <p>21 price testing processes, asked us to give him a</p> <p>22 general outline of what we were doing with the</p> <p>23 process at the time. So we provided him with</p> <p>24 this document.</p> <p>25 Q. And would the price testing that PwC</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 was undertaking, would it be similar to the</p> <p>3 price testing that your group was undertaking?</p> <p>4 MR. THOMAS: Objection to form.</p> <p>5 A. We didn't see what PwC did to price</p> <p>6 test. We know that they came through and</p> <p>7 reviewed everything we did and they checked</p> <p>8 everything we said we were doing to determine</p> <p>9 that we were in fact applying the processes that</p> <p>10 we said we were applying.</p> <p>11 So they did a full test of all of our</p> <p>12 processes and how we applied our assumptions</p> <p>13 within the model, checked to see that we were</p> <p>14 running this, and they would get the same number</p> <p>15 using the same assumptions.</p> <p>16 If they did additional independent</p> <p>17 valuation in terms of their own processes within</p> <p>18 their firm, I don't know where that was, but I</p> <p>19 know that they did a full review of everything</p> <p>20 we did.</p> <p>21 Q. And when you say they did a full</p> <p>22 review of everything you did, would that include</p> <p>23 any work that the traders in the front office</p> <p>24 were doing on each position as well?</p> <p>25 A. I'm sorry, I don't understand the</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 question.</p> <p>3 Q. I'm just questioning whether PwC was</p> <p>4 price testing only based off of what information</p> <p>5 it received from your group or if it was also in</p> <p>6 touch with other areas of Barclays such as front</p> <p>7 office desks that were responsible for those</p> <p>8 assets?</p> <p>9 MR. THOMAS: Objection to form.</p> <p>10 A. PwC has a slew of experts at their own</p> <p>11 disposal internally within their firm. So if --</p> <p>12 in terms of their review of my process or the</p> <p>13 mortgage valuation process, they would have the</p> <p>14 same data I have. They would have the trader's</p> <p>15 price if they're reviewing the traders' marks as</p> <p>16 part of our normal process, and they also have</p> <p>17 our policies and procedures and all of the</p> <p>18 assumptions that we derive and develop and use,</p> <p>19 so they would be able to replicate our tests in</p> <p>20 their own environment.</p> <p>21 In terms of what they get from the</p> <p>22 front office for the price testing, I'm not</p> <p>23 aware that they obtain -- they obtain whatever</p> <p>24 conversations we have with the front office, if</p> <p>25 there are any, on specific products, but I'm not</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 aware of their going to the traders for price</p> <p>3 testing data or for valuation review data.</p> <p>4 (Exhibit 804B, a document bearing</p> <p>5 Bates Nos. PwC-BarCap15824 through 15843,</p> <p>6 marked for identification, as of this date.)</p> <p>7 Q. Mr. Landreman, I have put before you</p> <p>8 what has been marked Deposition Exhibit 804B.</p> <p>9 If you want to take a moment to take a look.</p> <p>10 (Document review.)</p> <p>11 A. Okay.</p> <p>12 Q. Have you seen this document before?</p> <p>13 A. The Commercial Mortgage-Backed</p> <p>14 Securities Valuation Policy and Procedures, yes.</p> <p>15 Q. And would this policy govern your</p> <p>16 group?</p> <p>17 A. This would govern the commercial</p> <p>18 mortgages within my group.</p> <p>19 Q. And the commercial mortgages would</p> <p>20 include yourself and Victor, primarily; is that</p> <p>21 correct?</p> <p>22 A. No, this would be primarily Rich</p> <p>23 Beame's world of we have a fairly substantial</p> <p>24 position in private commercial real estate loans</p> <p>25 which were either for taken whole purposes or</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 for securitization purposes, so the majority of</p> <p>3 this policy was around the valuation of</p> <p>4 commercial whole loans, and then there was a</p> <p>5 subsection there for commercial mortgage-backed</p> <p>6 securities.</p> <p>7 Q. Would this policy have governed any of</p> <p>8 the commercial mortgage-backed securities that</p> <p>9 were acquired from Lehman?</p> <p>10 A. To some degree. Most of the</p> <p>11 commercial mortgage-backed securities that we</p> <p>12 received from Lehman were so bad that we would</p> <p>13 have put them at the bottom of the scale in</p> <p>14 terms of you really had to look at the</p> <p>15 performance of these individual securities and</p> <p>16 make some judgment around if you were going to</p> <p>17 get your principal back and how long the</p> <p>18 interest would be paying, and we looked through</p> <p>19 each one of these positions bond-by-bond to</p> <p>20 review the valuations.</p> <p>21 So I think our policy would state in</p> <p>22 there that we would look at non-investment grade</p> <p>23 loan securities, or but it would -- it would</p> <p>24 cover, you know, what to do to price these</p> <p>25 securities.</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 Q. So just so I understand, it does or it</p> <p>3 doesn't cover the CMBS securities that came over</p> <p>4 from Lehman?</p> <p>5 A. It's general guidelines for how we</p> <p>6 should be pricing securities. When we created</p> <p>7 this policy, we never had the low-quality assets</p> <p>8 that were given to us as part of the Lehman</p> <p>9 asset group.</p> <p>10 Q. So some of the assets that were</p> <p>11 acquired from Lehman were not valued according</p> <p>12 to the policy and procedures because they were</p> <p>13 of a lower grade; is that what you're saying?</p> <p>14 MR. THOMAS: Objection to form.</p> <p>15 A. They were generally poorly performing</p> <p>16 securities that should have been priced to this</p> <p>17 policy or would have been priced in a very</p> <p>18 similar methodology.</p> <p>19 Q. So if they weren't priced to this</p> <p>20 policy, what policy would they have been priced</p> <p>21 according to?</p> <p>22 A. They would have been priced upon</p> <p>23 observable trade data, which is part of our</p> <p>24 policy, is to use observable trade information</p> <p>25 and other proxy data to provide the best</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 estimate of where the security would trade in</p> <p>3 the market.</p> <p>4 MR. THOMAS: To the extent we're going</p> <p>5 to ask the witness questions about the</p> <p>6 document, I just ask the witness be allowed</p> <p>7 time to review the document.</p> <p>8 MS. CARRERO: That's fair. Take as</p> <p>9 much time as you need to take a look at it.</p> <p>10 (Document review.)</p> <p>11 A. Okay. So within this policy, 5.1 for</p> <p>12 secondary trading, secondary bond testing, bond</p> <p>13 price testing methodology is generally</p> <p>14 consistent with how we value those securities</p> <p>15 that we were given that would have fallen under</p> <p>16 this policy.</p> <p>17 Q. And would it be accurate to say that</p> <p>18 most of the CMBS securities that were acquired</p> <p>19 from Lehman were valued using prices from late</p> <p>20 September reflecting sales to desks within</p> <p>21 Lehman?</p> <p>22 MR. THOMAS: Objection to form.</p> <p>23 A. We didn't sell anything to Lehman.</p> <p>24 Q. My apologies. I misphrased.</p> <p>25 Do the prices used for purposes of</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 Barclays' acquisition accounting for CMBS</p> <p>3 reflect internal sales prices to desks within</p> <p>4 Barclays?</p> <p>5 MR. THOMAS: Objection to form.</p> <p>6 A. The prices that my group created</p> <p>7 reflected what we felt were the best estimates</p> <p>8 of fair value at the time.</p> <p>9 Q. And how do those best estimates of</p> <p>10 fair value correspond, though, with 5.1 of the</p> <p>11 CMBS policy in Deposition Exhibit 804B?</p> <p>12 A. Well, for investment grade CMBS, we</p> <p>13 would look at spreads that are currently</p> <p>14 available in the marketplace, and for</p> <p>15 non-investment grade bonds, we would -- we know</p> <p>16 that these are much less liquid and we have</p> <p>17 proxies that we can benchmark to, and also we</p> <p>18 can model these specific positions and use</p> <p>19 required yields that we would have expected or</p> <p>20 we can proxy to comparable bonds in our own</p> <p>21 books and records, if we had any at those</p> <p>22 levels.</p> <p>23 Q. Perhaps we should take a step back,</p> <p>24 because what I'm not understanding is, are the</p> <p>25 prices at which the securities were sold to</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 various desks within Barclays the prices that</p> <p>3 your group came up with using this section of</p> <p>4 Barclays' CMBS policy, or were you price testing</p> <p>5 the prices at which they were sold to Barclays'</p> <p>6 desks?</p> <p>7 A. The desks --</p> <p>8 MR. THOMAS: Objection to form.</p> <p>9 Go ahead. Pause after the question.</p> <p>10 A. The desks would have determined the</p> <p>11 values that they would be willing to acquire</p> <p>12 assets at.</p> <p>13 Q. And so what price was your group</p> <p>14 coming up with?</p> <p>15 A. The prices that we calculated and</p> <p>16 published as part of the record.</p> <p>17 Q. Could you be more specific when you</p> <p>18 say "part of the record"?</p> <p>19 A. I mean, we published the prices that</p> <p>20 we tested to and our -- all of the support</p> <p>21 around the prices we created, and the values</p> <p>22 that we created were part of the working papers</p> <p>23 that we provided.</p> <p>24 Q. Specific to the acquisition balance</p> <p>25 sheet and the prices used therein for CMBS</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 securities, did you price test those prices?</p> <p>3 A. I would have to look at the specific</p> <p>4 securities that you're talking about and see</p> <p>5 those prices, because I know in my working</p> <p>6 papers we would have defined how that price was</p> <p>7 derived.</p> <p>8 Q. To save us all a lot of time, I mean,</p> <p>9 I can go and pull out those working papers, but</p> <p>10 if on the acquisition balance sheet a price at</p> <p>11 which the security was sold to a desk within</p> <p>12 Barclays was used, did you price test that</p> <p>13 internal sales price?</p> <p>14 MR. THOMAS: Objection to form.</p> <p>15 A. We would have had our price as well or</p> <p>16 we would have reviewed the trade price for</p> <p>17 reasonability, yes.</p> <p>18 Q. So there may have been two prices:</p> <p>19 One that your group generated according to your</p> <p>20 policies and procedures, and another price that</p> <p>21 would reflect the price used for purposes of</p> <p>22 acquisition accounting based on the internal</p> <p>23 sales price?</p> <p>24 MR. THOMAS: Objection to form.</p> <p>25 A. If there was a dialogue around a</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 trader's mark and it was different than our</p> <p>3 mark, we would have documented the reason or the</p> <p>4 rationale why those prices were different and</p> <p>5 why we would have accepted one price over the</p> <p>6 other.</p> <p>7 Q. So there was a process under way to</p> <p>8 compare the prices at which positions were sold</p> <p>9 to desks within Barclays and compared them to</p> <p>10 the prices that your processes had generated</p> <p>11 based on your policies and procedures?</p> <p>12 MR. THOMAS: Objection to form.</p> <p>13 A. It was my understanding that there was</p> <p>14 a PMTG management book where all of the assets</p> <p>15 came to and they distributed the assets to the</p> <p>16 desks. So the prices that the PMTG management</p> <p>17 line items were using I thought were my prices,</p> <p>18 but I don't know that for sure.</p> <p>19 Q. Normally would the prices that you</p> <p>20 price test be the ones that would roll up into</p> <p>21 any financial statements that are generated by</p> <p>22 the firm?</p> <p>23 A. No, they would not.</p> <p>24 Q. And what prices would ordinarily roll</p> <p>25 up into financial statements?</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 A. The traders' marks.</p> <p>3 Q. Would they only roll up into financial</p> <p>4 statements after your group had price tested the</p> <p>5 traders' marks?</p> <p>6 A. Correct.</p> <p>7 Q. Where price testing shows a difference</p> <p>8 between the traders' marks and where the</p> <p>9 policies and procedures show the marks should</p> <p>10 be, what ordinarily was the next step?</p> <p>11 A. Well, there are a full set of variance</p> <p>12 procedures as to what is a required review for a</p> <p>13 variance breach. So we define by product</p> <p>14 category and by asset quality limits that we</p> <p>15 review price testing within.</p> <p>16 If a specific position falls outside</p> <p>17 of a certain range of variance, the analysts</p> <p>18 would be required to go and get additional</p> <p>19 detail or supporting assumptions to make sure</p> <p>20 that, you know, we can either confirm or deny</p> <p>21 whatever that price is.</p> <p>22 There's a full review, and then at a</p> <p>23 business level, we also present all of the</p> <p>24 results to the traders and we also present it to</p> <p>25 senior management as well if there are any</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 issues that require escalation.</p> <p>3 Q. And is that process usually an</p> <p>4 informal one with various e-mails being</p> <p>5 exchanged, or would you characterize it as more</p> <p>6 formal?</p> <p>7 A. It's been more formal. There's --</p> <p>8 there was usually a price testing file that gets</p> <p>9 produced, and management is reviewing the</p> <p>10 results. We would always send the business, for</p> <p>11 example, Tom Hamilton's business of securitized</p> <p>12 products, we would send him all of our price</p> <p>13 testing results broken out by business and he</p> <p>14 would review the file and acknowledge that he's</p> <p>15 reviewed the data.</p> <p>16 Q. And did that happen with the</p> <p>17 securities that were acquired from Lehman, would</p> <p>18 there be a price testing file for each CUSIP</p> <p>19 where there was any sort of deviation?</p> <p>20 A. Well, as we said, there was no trader</p> <p>21 marks on the positions when we initially</p> <p>22 received the portfolio, so we were asked to</p> <p>23 provide a fair value on those positions that</p> <p>24 were in that portfolio.</p> <p>25 Q. In the instance of where internal</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 sales prices were used to reflect the fair value</p> <p>3 of the positions, would there have been any sort</p> <p>4 of price testing file if those internal sales</p> <p>5 prices deviated from --</p> <p>6 A. Once the positions are in that</p> <p>7 trader's books, they would go through the</p> <p>8 standard policies and procedures and processes</p> <p>9 that we would normally price test.</p> <p>10 MR. THOMAS: Go ahead and make sure</p> <p>11 you let her finish the question. You're</p> <p>12 starting to cut her off again.</p> <p>13 Q. So any of the positions that were</p> <p>14 priced based off of internal sales prices, there</p> <p>15 would be a price testing policy they would go</p> <p>16 through, and if there were any differences, a</p> <p>17 file would exist for those CUSIPS; is that</p> <p>18 correct?</p> <p>19 MR. THOMAS: Objection to form.</p> <p>20 A. Once the securities are in a</p> <p>21 portfolio, we would perform a monthly price test</p> <p>22 on that portfolio.</p> <p>23 Q. So in this instance, if a September</p> <p>24 30th internal sales price was used to price</p> <p>25 securities acquired from Lehman, at what point</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 would that price be tested by your group?</p> <p>3 MR. THOMAS: Objection to form.</p> <p>4 A. A September 30th price would be priced</p> <p>5 when we received the file within four to five</p> <p>6 business days after day one once the books and</p> <p>7 records are closed or once the population has</p> <p>8 been confirmed.</p> <p>9 Q. So do you recall whether or not there</p> <p>10 was a process under way to price test all of the</p> <p>11 securities at which an internal sales price was</p> <p>12 used four or five days after they were sold to</p> <p>13 the desks or recorded as sold to the desks?</p> <p>14 MR. THOMAS: Objection to form.</p> <p>15 A. In the circumstance you're describing,</p> <p>16 that portfolio would have been part of that</p> <p>17 trader's books and records, so I would have had</p> <p>18 those prices and whatever prices they assigned</p> <p>19 it to those -- that portfolio would have been</p> <p>20 the price I would have tested.</p> <p>21 Q. We're talking about a large number of</p> <p>22 CUSIPS here. Do you recall that process of</p> <p>23 price testing a number of securities that were</p> <p>24 sold to desks within Barclays which constituted</p> <p>25 internal sales a couple of days after they were</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 sold to those desks?</p> <p>3 A. We price tested the portfolios and the</p> <p>4 assets that came across at multiple points in</p> <p>5 time during the review. So if there was a group</p> <p>6 of assets that were sold at month-end, we would</p> <p>7 have price tested those file -- those assets as</p> <p>8 well, and if they booked those at the sale</p> <p>9 prices, we would have price tested the books and</p> <p>10 records as the sale prices.</p> <p>11 Q. And based on your testimony, you're</p> <p>12 saying that process would have taken place a</p> <p>13 couple of days after the internal sale; is that</p> <p>14 correct?</p> <p>15 MR. THOMAS: Objection to form.</p> <p>16 A. We received the trader's books and</p> <p>17 records reconciled to the general ledger from</p> <p>18 the line controllers usually within two to three</p> <p>19 business days after the month-end.</p> <p>20 Q. And if there were any deviances</p> <p>21 between the sale price and what your group</p> <p>22 thought the fair value was, would that have been</p> <p>23 conveyed for purposes of the acquisition</p> <p>24 accounting?</p> <p>25 A. If there was a material variance or a</p>

<p style="text-align: right;">Page 58</p> <p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 breach of a price testing limit threshold, we</p> <p>3 would have reviewed those positions on a</p> <p>4 case-by-case basis with the traders who marked</p> <p>5 the positions, and if we were unable to resolve</p> <p>6 a discrepancy, we would escalated that to senior</p> <p>7 management or we would have had adjustment made</p> <p>8 to books and records to reflect a change in the</p> <p>9 trader's marks, but the trader's marks are the</p> <p>10 books and records once they acquired the asset.</p> <p>11 Q. And do you recall that material</p> <p>12 variances were determined and there were any</p> <p>13 discussions with front office individuals or</p> <p>14 with Finance in terms of preparing the</p> <p>15 acquisition balance sheet?</p> <p>16 MR. THOMAS: Objection to form.</p> <p>17 A. There were lots of discussions, but</p> <p>18 across every asset category. The markets were</p> <p>19 highly illiquid and there were lots of really,</p> <p>20 really bad bonds that we were given that we had</p> <p>21 never seen a portfolio of this low quality in</p> <p>22 our experience. So there were lots of questions</p> <p>23 around how to value some of the most illiquid,</p> <p>24 toxic assets that we received.</p> <p>25 Q. While the majority of the PMTG assets</p>	<p style="text-align: right;">Page 59</p> <p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 appeared to be valued on the acquisition balance</p> <p>3 sheet at internal sales prices, there are some</p> <p>4 that are not. Would those be situations where a</p> <p>5 material variance was discovered?</p> <p>6 MR. THOMAS: Objection to the form.</p> <p>7 A. I don't know. I would have to see the</p> <p>8 cases and points, the specific positions.</p> <p>9 MR. THOMAS: We've been going for</p> <p>10 about an hour and a half now. I don't know</p> <p>11 if this is a good time for a break.</p> <p>12 MS. CARRERO: That's fine.</p> <p>13 (Recess; Time Noted: 11:03 A.M.)</p> <p>14 (Time Noted: 11:10 A.M.)</p> <p>15 BY MS. CARRERO:</p> <p>16 Q. Mr. Landreman, if you could just turn</p> <p>17 your attention back to Deposition Exhibit 804B.</p> <p>18 Just one last question before we move on from</p> <p>19 this document.</p> <p>20 Is this the policy and procedure that</p> <p>21 was in place at the time of the Lehman</p> <p>22 acquisition?</p> <p>23 MR. THOMAS: Objection to form.</p> <p>24 A. This should have been the policy and</p> <p>25 procedure that was in process, yes.</p>
<p style="text-align: right;">Page 60</p> <p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 (Exhibit 805B, a document bearing</p> <p>3 Bates Nos. PwC-BarCap46090 through 46102,</p> <p>4 marked for identification, as of this date.)</p> <p>5 (Exhibit 806B, a document bearing</p> <p>6 Bates Nos. BCI-EX-297183 through 297200,</p> <p>7 marked for identification, as of this date.)</p> <p>8 Q. Mr. Landreman, I'm putting before you</p> <p>9 what have been marked Deposition Exhibits 805B</p> <p>10 and 806B. I will identify them for the record.</p> <p>11 805B is titled "Barclays Capital</p> <p>12 Provisioning Policy Statement," dated December</p> <p>13 2008. Cover page Bates number is PwC-BarCap</p> <p>14 00046090. And Deposition Exhibit 806B is titled</p> <p>15 "Product Control Price Testing Policy," dated</p> <p>16 May 2009, and Bates number on the cover page is</p> <p>17 BCI-EX-00297183.</p> <p>18 Would you take a moment to review the</p> <p>19 first, which is Deposition Exhibit 805B.</p> <p>20 (Document review.)</p> <p>21 Q. Please let me know when you're ready.</p> <p>22 A. I think I'm ready.</p> <p>23 Q. Okay. Have you ever seen this</p> <p>24 document before?</p> <p>25 A. Which document are you referencing?</p>	<p style="text-align: right;">Page 61</p> <p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 Q. Deposition Exhibit 805B.</p> <p>3 A. 805B. No, I have not.</p> <p>4 Q. Have you seen similar earlier or a</p> <p>5 later version of such document?</p> <p>6 MR. THOMAS: Objection to form.</p> <p>7 A. No, I have not.</p> <p>8 Q. Are you aware of any policy in place</p> <p>9 at Barclays related to valuation adjustments to</p> <p>10 securities?</p> <p>11 A. Yes. Normally, valuation adjustments</p> <p>12 in terms of provisioning of reserves are</p> <p>13 calculated for the asset categories that they're</p> <p>14 applicable to, which mostly do not fall in my</p> <p>15 world.</p> <p>16 Q. In what world do they fall?</p> <p>17 A. Fixed Income and Credit.</p> <p>18 Q. And why do they not fall within your</p> <p>19 world?</p> <p>20 A. The majority of the assets in the</p> <p>21 securitized products world tend to be cash bond</p> <p>22 basis, so there's -- the traders would be long</p> <p>23 the position. There's not a concept of being</p> <p>24 long or short the majority of the positions. So</p> <p>25 they may be hedging the positions, but they</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 would be taking a position in that bond. So</p> <p>3 there would be a cash bond with a price to that</p> <p>4 bond.</p> <p>5 Q. If you could just turn to page 4 under</p> <p>6 2.2, "Classification of Adjustment Type," the</p> <p>7 last sentence of the first paragraph says, "Fair</p> <p>8 value adjustments may arise for three main</p> <p>9 reasons," and then it's followed by three bullet</p> <p>10 points: "Model uncertainty or adjustment;</p> <p>11 market data uncertainty or adjustment;</p> <p>12 transaction booking reflecting amended or</p> <p>13 simplified economics."</p> <p>14 Is it fair to say that the securities</p> <p>15 that your group covers don't fall within any of</p> <p>16 those three reasons?</p> <p>17 MR. THOMAS: Objection to form.</p> <p>18 A. They would. However, we are mandated</p> <p>19 to report fair value on our balance sheet, so</p> <p>20 reserves or adjustments for cash bonds, we would</p> <p>21 show that these positions are fair value assets.</p> <p>22 So ...</p> <p>23 Q. Are the fair value adjustments that</p> <p>24 are being discussed here different than the</p> <p>25 liquidity adjustments or haircuts that were</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 taken on certain asset classes in the Lehman</p> <p>3 transaction?</p> <p>4 MR. THOMAS: Objection to form.</p> <p>5 Foundation.</p> <p>6 A. As I'm not overly familiar with this</p> <p>7 document, I'm not exactly clear what they're</p> <p>8 trying to distinguish within this form. This is</p> <p>9 a very general classification across all asset</p> <p>10 categories for a global database.</p> <p>11 Q. Would your understanding, though, of a</p> <p>12 liquidity adjustment be similar to the concept</p> <p>13 of a fair value adjustment?</p> <p>14 MR. THOMAS: Objection to form.</p> <p>15 A. A liquidity and a fair value</p> <p>16 adjustment would be similar in my mind.</p> <p>17 Q. If you could turn your attention to</p> <p>18 Deposition Exhibit 806B, and take a moment to</p> <p>19 review, if you haven't already.</p> <p>20 (Document review.)</p> <p>21 A. Okay.</p> <p>22 Q. Have you ever seen this document</p> <p>23 before?</p> <p>24 A. Yes, I have.</p> <p>25 Q. And if you turn to the front page, you</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 see it says, "Product Control, Price Testing</p> <p>3 Policy, Date: May 2009"; is that correct?</p> <p>4 A. Correct.</p> <p>5 Q. Is this the same policy that was in</p> <p>6 place at the time of the Lehman transaction?</p> <p>7 A. This is a global policy for our</p> <p>8 Central Price Testing Group, so this would be</p> <p>9 the highest level of price testing policy. So I</p> <p>10 believe this would have been in place. I don't</p> <p>11 know for certain because I had my own regional</p> <p>12 policies that we applied which would have been</p> <p>13 supporting of this policy.</p> <p>14 Q. So let me just make sure that I</p> <p>15 understand what you're saying. You believe</p> <p>16 there would have been an earlier policy that</p> <p>17 governed the Central Price Testing, but this is</p> <p>18 not it; is that correct?</p> <p>19 A. I don't know that.</p> <p>20 MR. THOMAS: Objection to form.</p> <p>21 Q. Would you agree that based on the date</p> <p>22 of the document as May 2009, that it is dated</p> <p>23 after the Lehman transaction?</p> <p>24 A. The date on this document is after the</p> <p>25 Lehman transaction.</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 Q. You had mentioned regional policies</p> <p>3 that would fall under this central policy.</p> <p>4 Could you be more specific in naming those</p> <p>5 policies?</p> <p>6 A. For example, you provided Exhibit</p> <p>7 802B, which was your fixed income credit</p> <p>8 products price testing policy, is an example of</p> <p>9 a regional guidance or a product-specific policy</p> <p>10 that would be supportive of this global policy.</p> <p>11 Q. If I could just ask you to be more</p> <p>12 specific, though, about the ones that governed</p> <p>13 the products you were directly responsible for.</p> <p>14 A. I do not see those specific policies</p> <p>15 here, but we had those policies and procedures</p> <p>16 in place at the time.</p> <p>17 Q. And could you name those for me? Are</p> <p>18 you familiar with the policies and procedures</p> <p>19 that govern your area?</p> <p>20 A. Yes, I'm familiar with the policies</p> <p>21 and procedures I wrote that govern my area, yes.</p> <p>22 Q. And would you be able to tell me how</p> <p>23 many policies and procedures there are that</p> <p>24 govern your area?</p> <p>25 A. There should be one policy that covers</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 all Agency RMBS products and non-Agency RMBS</p> <p>3 products.</p> <p>4 Q. And that would be in addition to the</p> <p>5 CMBS policy that we have already seen?</p> <p>6 A. Correct.</p> <p>7 Q. Would there be any other policies and</p> <p>8 procedures that govern your group?</p> <p>9 A. I don't recall.</p> <p>10 Q. Could you explain what the difference</p> <p>11 between the Central Price Testing guidance would</p> <p>12 be as opposed to the more specific regional</p> <p>13 policies that were in existence?</p> <p>14 MR. THOMAS: Objection to form.</p> <p>15 Foundation.</p> <p>16 A. I mean, if you look at the price</p> <p>17 testing policy as created by Central, it's</p> <p>18 really more of a generalized approach: Timing,</p> <p>19 how to report the data, what are some of the</p> <p>20 requirements in terms of data sources or how to</p> <p>21 handle specific issues, like untested items.</p> <p>22 So, I mean, it really provides a</p> <p>23 general framework that everybody is responsible</p> <p>24 for adhering to. And then within your specific</p> <p>25 asset category or product specialty, you would</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 then document and fully, you know, list what</p> <p>3 your processes and your procedures and the</p> <p>4 acceptable values, et cetera, would be.</p> <p>5 So, I mean, if your sources for</p> <p>6 mortgage-backed securities, pricing for vendors</p> <p>7 would be Financial Times, interactive data, we</p> <p>8 would specify those vendors in our policy,</p> <p>9 whereas somebody on the other side of a</p> <p>10 different product may not use that pricing</p> <p>11 source because it is not applicable to their</p> <p>12 product space.</p> <p>13 Q. If you could turn to page 12 of the</p> <p>14 exhibit.</p> <p>15 A. Okay.</p> <p>16 Q. At the top, do you see the line that</p> <p>17 says "The Pricing Template - A Product</p> <p>18 Controller's Guide"?</p> <p>19 A. Yes, I do.</p> <p>20 Q. Would this be the template used by</p> <p>21 your group in the event that any differences</p> <p>22 were found between a trader's marks and the</p> <p>23 results of your price testing?</p> <p>24 MR. THOMAS: Objection to form.</p> <p>25 A. No, this would not. This would be</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 a -- a centralized, a standard reporting format</p> <p>3 that we can aggregate all of our pricing data</p> <p>4 and deliver that to Central for a central</p> <p>5 reporting database.</p> <p>6 Q. And was this template followed for any</p> <p>7 of the CUSIPs that were acquired in the Lehman</p> <p>8 transaction?</p> <p>9 MR. THOMAS: Objection to form.</p> <p>10 A. I don't recall. This would have been</p> <p>11 not applicable to the assets in question because</p> <p>12 they were reported at a very detailed level, and</p> <p>13 once the assets were sold to a trading desk,</p> <p>14 then they would be reported in this format.</p> <p>15 Q. And so you would expect that any</p> <p>16 assets that were sold to a trading desk would</p> <p>17 have a pricing template at some point generated</p> <p>18 for it?</p> <p>19 MR. THOMAS: Objection to form.</p> <p>20 A. The business would have had their</p> <p>21 portfolio presented to Central Price Testing</p> <p>22 using this reporting format.</p> <p>23 Q. And would this be across all asset</p> <p>24 classes?</p> <p>25 A. Yes.</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 Q. And when you say reported to Central,</p> <p>3 could you explain what you mean by that term?</p> <p>4 A. There is a group in London that is</p> <p>5 responsible for consolidated reporting of price</p> <p>6 testing results.</p> <p>7 Q. And what sort of reporting are they</p> <p>8 responsible for?</p> <p>9 A. Consolidated, high-level reporting of</p> <p>10 the price testing results, business-level or</p> <p>11 business-level variance explanations.</p> <p>12 Q. And when you say business-level</p> <p>13 variance explanations, who would those go to?</p> <p>14 A. These reports go into the Central</p> <p>15 Price Testing database. They are all presented</p> <p>16 to -- we would present the business-level</p> <p>17 results to the head of the business or the</p> <p>18 trader responsible for the business.</p> <p>19 Then we would also use this reporting</p> <p>20 format to create business-level summaries at the</p> <p>21 highest levels, whether it's for the head of</p> <p>22 mortgage-backed securities trading or if it's</p> <p>23 the head of fixed income rates trading, who the</p> <p>24 head of mortgage trading would report in to.</p> <p>25 Q. And how frequently would these reports</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman 2 be generated? 3 A. Monthly. 4 Q. And would they be generated for every 5 CUSIP on a trader or a business' books? 6 A. No, they would not. 7 Q. And for which CUSIPS would they be 8 generated? 9 A. Well, they would be generated for the 10 portfolio and presented by an asset category as 11 a summary line. So, as opposed to every 12 individual security being reported in this 13 format, you would report all non-agency, all day 14 mortgages, and the results of the price testing, 15 with any meaningful commentary about the 16 portfolio. 17 Q. You can put that aside. 18 Earlier we had talked about the marks 19 that roll up into Barclays' acquisition 20 accounting and whether those were values that 21 came from your group, and I believe your answer 22 was that it would be the trader's marks that 23 would roll up; is that correct? 24 A. I didn't say that. 25 Q. Okay. I'm sorry. Could you tell me</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman 2 where do the prices that roll up into the 3 acquisition balance sheet come from? 4 MR. THOMAS: Objection to form. 5 A. For the components that I was 6 responsible for valuing, it is my understanding 7 that the majority of those prices would have 8 been either the Product Control prices or, if we 9 had trade prices, we would have reviewed the 10 trade prices. 11 Q. Maybe we should take a step back and 12 just ask, in the ordinary course, when doing 13 financial statements, where do the prices come 14 from that feed into the financial statements? 15 MR. THOMAS: Objection to form. 16 A. As we said, the traders are 17 responsible for the positions that they manage 18 on their balance sheet to mark those positions 19 to market every day. 20 Q. And how do they enter those marks? Is 21 there a system into which they enter those 22 marks? 23 A. There would be a trading system for 24 each business, whether -- you know, whatever is 25 appropriate for that product class, and they</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman 2 would manage those -- the input of the pricing 3 on their -- within their own resources and they 4 would enter those prices in the system and we 5 would receive those prices and those inventories 6 from the line controllers. 7 Q. And what's the name of the system 8 through which you receive those trader marks? 9 A. Each business gives me a different 10 one, and the results are delivered to me on 11 Excel spreadsheets. 12 Q. And of the businesses that you cover, 13 do you know which systems correspond to which 14 business? 15 A. The mortgage trading uses an 16 application called Winfits, and some of the 17 other -- I believe everyone is using Winfits 18 now. There may have been some different front 19 office systems at the time. I don't know 20 exactly which systems were in place, but Winfits 21 has been the standard for the securitized 22 products business that I cover. 23 Q. Is there any other system to which 24 Winfits feeds into? 25 A. Yes.</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman 2 MR. THOMAS: Objection to form. 3 A. Yes. 4 Q. Are you familiar with the systems to 5 which it feeds? 6 A. Not personally. 7 Q. I don't want to go through a long 8 discussion on your systems. I'm just trying to 9 get an understanding of whether there's some 10 sort of repository that houses most of the marks 11 that are entered by traders at Barclays and are 12 you aware of such a system? 13 A. It's my understanding that the traders 14 will mark their positions in Winfits. The data 15 is stored in the Winfits and all of the 16 repositories. 17 There's also individual bond pricing 18 data stored in a global referential called Asset 19 Control, but the front office trading systems 20 store all the pricing data for the bonds. 21 Q. Are you familiar with a system that 22 would eventually generate the general ledger, 23 what that would be called? 24 A. SAP. 25 Q. So is it fair to say that at some</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman 2 point Winfits feeds into SAP? 3 MR. THOMAS: Objection to form. 4 A. That would be a line controller 5 function, so I don't know if Winfits feeds 6 directly into SAP or if the line controllers 7 record entries into SAP or how that process 8 works operationally. 9 Q. So when your group goes about price 10 testing a trader's marks, you would do so based 11 off of the marks that are handed to you on an 12 Excel spreadsheet; is that correct? 13 A. We would be given a population with 14 all of the values and ask that those values be 15 reconciled back to the general ledger by the 16 line controllers, so we have a population 17 completeness control check as a part of our 18 standard course of doing business or price 19 testing or doing valuations. 20 Q. And the general ledger being SAP; is 21 that correct? 22 A. Correct. 23 Q. Do you know what SOPHIS is? 24 A. No. 25 MR. THOMAS: This may not be necessary</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman 2 under agreement, but to the extent it is, 3 I'm designating the transcript highly 4 confidential. 5 Q. The marks that the traders enter and 6 that are subsequently price tested by your 7 group, what measure of value would they reflect? 8 A. Fair value. 9 Q. And would fair value -- what is your 10 definition of "fair value"? 11 A. Definition of "fair value" would be a 12 value which we believe would reasonably be 13 expected to be obtained in the marketplace. 14 Q. Would those marks be in accordance 15 with how "fair value" is defined under FAS 157? 16 MR. THOMAS: Objection to form. 17 A. I believe it would be consistent with 18 that. 19 Q. Would it be consistent with the -- 20 with IFRS? 21 MR. THOMAS: Objection. Form. 22 A. I believe it would be. 23 Q. To the extent that FAS 157 and IFRS 24 are not exactly the same, do you know if the 25 marks are reflective or favor one over the</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman 2 other? 3 MR. THOMAS: Objection to form. 4 A. As an international firm, that is 5 subject to IFRS reporting standards, we would 6 probably defer to the International Accounting 7 Standards. 8 Q. Does your -- 9 A. If there was a difference. 10 Q. Does your group take into 11 consideration FAS 157 or IFRS when price 12 testing? 13 MR. THOMAS: Objection to form. 14 A. I'm not sure what you mean by that. 15 Q. In terms of testing the marks that a 16 trader has ascribed to a security, what sort of 17 guidance does your group follow, whether it be 18 FAS 157 or IFRS or something else? 19 MR. THOMAS: Objection to form. 20 A. The International Accounting Standards 21 and the U.S. accounting standards tend to be 22 relatively similar. To the extent that there 23 may be a minor difference, in the asset 24 categories that I review, it would be less of an 25 issue because there's a wide range of values and</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman 2 there's a fairly common method as to how these 3 bonds trade and how they're priced in the 4 market. 5 Q. Would a mark take into consideration 6 the size of the asset? I'm sorry, let me strike 7 that. 8 Would a trader's mark take into 9 account the lot size of that specific security? 10 MR. THOMAS: Objection to form. 11 A. A trader's mark will reflect that 12 trader's view as to the ability to sell that 13 bond and at what level they could sell that bond 14 at. 15 Q. And so is your answer that if the size 16 of the position would affect whether they could 17 sell or not, that they would take into 18 consideration the size of a position? 19 MR. THOMAS: Objection to form. 20 A. To the extent that it's within the 21 accounting guidelines, they might consider that, 22 but generally, that's less of an issue. 23 Q. When price testing, does your group 24 take into consideration the size of a position 25 in determining whether or not a mark is</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman 2 reflective of fair value? 3 A. We look at all information that's 4 available to us, and if we have a large trade of 5 a position or a small trade of a position and 6 that affects the data that goes into our model, 7 we would consider that as part of our overall 8 analysis. 9 Q. So is the answer yes, that size would 10 be considered in the analysis? 11 MR. THOMAS: Objection to form. 12 A. Size is one factor in reviewing a 13 trade to determine the validity of the trade 14 data. 15 Q. Is it your understanding that any of 16 the assets that were acquired from Lehman were 17 valued at a lower price based off of the bulk 18 size of any given position? 19 MR. THOMAS: Objection to form. 20 A. I don't recall. I'm not aware of any. 21 Q. If that were the case, would it be 22 your opinion that that would be a proper basis 23 to mark down a security? 24 MR. THOMAS: Objection to form. 25 A. There would definitely be issues with</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman 2 the ability to trade certain positions and 3 liquidate certain positions if the transaction 4 costs might be higher than the actual nominal of 5 the bond or if there were no buyers for specific 6 instruments or you would have to repackage those 7 securities. 8 Q. Are you aware of whether it's proper 9 to take into consideration the size of a 10 position when marking to fair value under FAS 11 157 or IFRS? 12 MR. THOMAS: Objection to form. 13 A. I'm familiar with some of the 14 concepts, yes. 15 Q. And is it your understanding that it 16 is or is not proper under either of those two 17 regs.? 18 MR. THOMAS: Objection to form. 19 A. I would need to confirm by seeing the 20 actual standard before I responded just to make 21 sure of that. I believe it is considered that 22 block size is a factor, but it's not the 23 determinant in a bond's price. 24 Q. Typically speaking, would a mark be 25 reflective of a so-called round lot of a</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman 2 particular CUSIP? 3 MR. THOMAS: Objection, form. 4 A. I'm not sure what you mean by that. 5 Q. As opposed to bulk size position, 6 would you expect a mark to reflect what would be 7 the typical lot of -- that a security would 8 trade between a buyer and a seller? 9 MR. THOMAS: Objection to form. 10 A. I mean, yes. A lot of these concepts 11 are fine in other asset categories. Most of 12 what my world reviews, it has, you know, highly 13 customized asset classes that are, you know, 14 different shapes and forms and have different 15 sizing. 16 So there is no round lot designation 17 to say that, you know, mezzanine bonds trade at, 18 you know, a hundred million dollar increments. 19 There's very little standardization, as opposed 20 to the fixed income world, where you might have 21 a hundred-million-dollar issuances that sell in 22 \$20 million round lots. 23 So in the securitized products world 24 that's less of a concept that gets considered in 25 our analysis.</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman 2 Q. What's your understanding of the 3 meaning of an "orderly exit price"? 4 A. A willing buyer and a willing seller 5 negotiating in an arm's length transaction. 6 Q. Is there any temporal limitations on 7 the concept of an orderly exit? 8 MR. THOMAS: Objection to form. 9 A. Can you define what you mean by 10 "temporal." 11 Q. When you say a willing buyer and a 12 willing seller, are you saying a minute from now 13 or five days from now? 14 MR. THOMAS: Objection to form. 15 A. I think it depends upon which asset 16 category you're talking about. In many cases, 17 securitized products world, these are custom 18 bonds. These are very unique, very few of these 19 structures are alike and there's always 20 something different, so it takes a fair amount 21 of analysis to price or to review each bond. 22 So to say that there's a temporal 23 difference in terms of I can have a price within 24 an hour, generally the trades that come in on 25 these positions are negotiated over time, and</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman 2 our flow business may buy a position and sell it 3 out, but that would that be prenegotiated. We 4 probably would not have bought the position 5 unless we had a seller on the other side. 6 So it isn't like I just push a button 7 and this trades and someone comes along and buys 8 it. It's generally a negotiated sale over time. 9 Q. To the extent that a mark from a 10 trader is reflective of an orderly exit price, 11 when price testing that mark, what would you 12 expect that orderly exit to look like for the 13 asset classes that you cover? 14 MR. THOMAS: Objection to form. 15 A. Since the beginning of 2007, I don't 16 know how to answer that question. 17 Q. Are you saying, since the beginning of 18 2007, there is no such thing as an orderly exit? 19 A. Since the beginning of 2007, during 20 the credit crisis, there's been a lot of, you 21 know, differing types of sales, and to say 22 that -- we look at every transaction that we 23 have the ability to see, but we also have to 24 look at the performance of the underlying 25 collateral and there's a lot of information that</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman 2 has to go into our analyses and a lot of data 3 has to be researched and reviewed. 4 So to say that in the last two to 5 three years there's been an orderly disposition, 6 I would say that there's -- we're starting to 7 come back to that, we've come back to that over 8 the last year, but for a long period of time 9 there were lots of chaos in the markets. 10 Q. Would a distressed price be one that 11 arises out of an orderly exit? 12 MR. THOMAS: Objection. Form. 13 A. What do you mean by "distressed 14 price"? 15 Q. If I put a gun to your head and said I 16 need you to sell this in an hour. 17 A. Well, that would be a forced seller. 18 Q. And would that be reflective of an 19 orderly exit price? 20 MR. THOMAS: Objection to form. 21 Q. The price that willing (sic) was 22 willing to purchase at? 23 A. That would be considered a data point, 24 but that doesn't mean that that would be, you 25 know, the determining factor of a trade of a</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman 2 bond. 3 Q. But would that be an orderly exit 4 price if you were a forced seller? 5 A. Your definition contradicts itself. 6 An orderly sale and a forced seller 7 cannot be in the same. 8 Q. When did you first become aware of the 9 possibility of a transaction with Lehman? 10 MR. THOMAS: Objection to form. 11 A. I was on vacation and I saw the news 12 article on CNBC. 13 Q. And when was that? 14 A. I'm sorry? 15 Q. And when was that? 16 A. The day it happened. I was in Hawaii 17 on vacation. I think it was the 19th or the 18 18th. 19 I'm sorry, it may have been Saturday. 20 The exact day that the bankruptcy happened, 21 though, was -- 22 Q. So if I represent to you that the 23 bankruptcy filing of the holding company was 24 September 15, is it fair to say that's when you 25 first learned about it?</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman 2 A. Yes. 3 MR. THOMAS: Objection to the form on 4 the last question. 5 (Exhibit 808B, a document bearing 6 Bates Nos. BCI-EX-(S)201329 through 201331, 7 marked for identification, as of this date.) 8 Q. Mr. Landreman, you have before you 9 what has been marked as Deposition Exhibit 808B. 10 If you could turn your attention to the second 11 page, the e-mail that begins on that page from 12 Mr. Teague to Paul Copson, CC-ing Marcus Morton, 13 Philip Nash, James Walker. 14 A. I see that. 15 Q. Have you seen this e-mail before? 16 A. No, I have not. 17 Q. If you will turn your attention to the 18 first sentence, where Mr. Teague writes, "Paul: 19 High level, we should be able to provide pricing 20 support on a T+1 for much of the fixed income 21 rates and fixed income Credit products. ABS 22 will be a WIP," W-I-P. Do you see that? 23 A. Yes, I do. 24 Q. And then if you turn your attention 25 down to Roman numeral II, "ABS Testing - (A)</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman 2 Coverage." Roman (iii), "For Alt A positions, 3 an independent price is calculated via a matrix 4 developed by Landreman's group, which 5 incorporates recent trade levels by the Alt A 6 market making desk and loss curve based on home 7 equity roll rates." Do you see that? 8 A. Yes, I do. 9 Q. And this e-mail is dated on Monday, 10 September 15, do you see that? 11 A. Yes. 12 Q. Were you asked at or about this time 13 to work on providing pricing support for any of 14 the assets Lehman was -- Barclays was 15 contemplating purchasing from Lehman? 16 MR. THOMAS: Objection to form. 17 A. As you notice, I wasn't on this 18 e-mail. This was actually Sean giving a 19 high-level overview to the executives in London. 20 Q. I understand. I'm just asking whether 21 you -- 22 A. I was on vacation from the 12th 23 until -- I would have to confirm the dates, but 24 I thought I was gone like from the 12th of 25 September until that I was in Hawaii for the</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman 2 week, and as soon as I got back, I was given 3 everything. My BlackBerry wasn't working in 4 Hawaii. 5 Q. So until you returned from your trip, 6 you were not involved in any sort of pricing 7 support in connection with the transaction; is 8 that correct? 9 A. Correct. 10 Q. Do you know if members of your team 11 were involved with pricing support prior to your 12 return from vacation? 13 MR. THOMAS: Objection. Form. 14 A. They would have been involved in 15 pricing these portfolios, yes. 16 Q. Is it your understanding that your 17 team received CUSIP-level information at the 18 positions that Barclays was contemplating 19 purchasing in order to do that price testing? 20 MR. THOMAS: Objection to form. 21 A. It's my understanding that all of the 22 collateral that was pledged at the Fed window 23 was going to be delivered to us for review. 24 Q. Was that your understanding as early 25 as September 15?</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman 2 A. Again, I was not in the office on the 3 15th, so I would have to say what's -- the 4 earliest of my understanding is when I returned 5 from vacation. 6 Q. Do you know when any members of your 7 team got started with price testing any 8 securities that Barclays was contemplating 9 purchasing? 10 A. They would not have started until 11 there was a public announcement that we acquired 12 the firm, that we acquired or that we were -- 13 there was a public announcement that we were 14 negotiating. 15 Q. I believe you had said earlier that 16 you would expect that your team had been 17 involved with pricing support before your return 18 from vacation. Is that not accurate? 19 A. They -- if my -- my team would have 20 been involved in pricing these assets once they 21 were delivered to us, assuming that we were 22 given a population. There's a very good chance 23 that we would not have been given a population 24 for a couple days after the deal was announced. 25 Q. So you're not aware of any pricing</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman 2 support being given by your team prior to the 3 delivery of any securities simply to ascertain 4 whether Barclays wanted it or what price they 5 thought it was worth or anything of the sort? 6 MR. THOMAS: Objection to the form. 7 A. I was not involved in the negotiation 8 of the transaction and we did not receive any of 9 the information in terms of what we were 10 receiving until the deal was made public. 11 Q. And when you say "the deal was made 12 public," what do you mean by "the deal was made 13 public"? 14 A. The announcement that Barclays was 15 negotiating a transaction. 16 Q. So when it publicly announced in the 17 middle of the week that an Asset Purchase 18 Agreement had been signed, that's when your team 19 would have stepped in and started to provide 20 pricing support? 21 MR. THOMAS: Objection to form. 22 A. Right. Correct. They would not have 23 been involved in any pre, pre-public 24 announcements. They would not have been 25 involved in any investment banking negotiations</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman 2 or acquisition or merger advisory capacity. 3 Q. So turning back to Deposition Exhibit 4 808B, is it your testimony that you're not aware 5 of anyone the Monday of Mr. Teague's e-mail 6 providing the pricing support discussed in his 7 e-mail? 8 MR. THOMAS: Objection to form. 9 A. The e-mail dated Monday, September 22, 10 contains pricing support for assets that would 11 have come from Sean's area of expertise. 12 There's nothing in here that would have come 13 from my group. 14 Q. My question is simply, around the time 15 that Mr. Teague's e-mail goes out September 15, 16 whether you're aware if your team also got 17 involved in the process of pricing support 18 related to the Lehman transaction? 19 MR. THOMAS: Objection. Form. 20 A. Once we were informed that there would 21 be securities for us to price, we would have 22 been involved in pricing those securities. 23 Q. So that could have been as early as 24 September 15; is that correct? 25 A. If we knew what we were getting. I</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman 2 don't know when we knew what we were getting. 3 (Exhibit 809B, a document bearing 4 Bates Nos. BCI-EX-(S)201104, marked for 5 identification, as of this date.) 6 A. Okay. 7 Q. Mr. Landreman, do you see that this is 8 an e-mail from Mr. Teague to yourself CC-ing 9 Joseph Kaczka, dated September 19; is that 10 correct? 11 A. Correct. 12 Q. And do you see in the body of the 13 e-mail Mr. Teague writes, "Rich, Marcus wanted 14 the different price testing team pitch in to get 15 an idea of how the Lehman positions are priced 16 as of 15 September. Can you ask your team to 17 perform some independent pricing on the 18 following spreadsheet?" 19 A. I see that. 20 Q. Do you recall if this was positions 21 that had already been transferred to Barclays 22 that you were being asked to pitch in and help 23 with price testing? 24 A. I don't recall what was in these 25 files, but I'm sure if I saw what was in</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman 2 there... 3 Q. Do you recall being involved in the 4 valuation of the securities that were 5 transferred over in the Lehman/Barclays repo the 6 evening of September 18 either on that Friday, 7 the 19th, or Thursday itself? 8 A. I do not recall being involved in the 9 Lehman/Barclays repo pricing or the information 10 from that as of that date. 11 Q. In your mind, was the exercise that 12 you and your team was asked to undertake related 13 to the Lehman transaction and the securities 14 that Barclays was acquiring as opposed to any 15 specific repo transaction? 16 MR. THOMAS: Objection to form. 17 A. My understanding was that the assets 18 that were pledged to secure a repo line of 19 credit were being brought onto our balance sheet 20 and needed to be assigned a fair value on our 21 balance sheet as of the date that they were 22 going to be effectively put on our balance 23 sheet. 24 Q. And do you recall being immersed in 25 that process from the moment that the positions</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman 2 were transferred over? 3 MR. THOMAS: Objection to form. 4 A. I was immersed in that process for 5 months. 6 Q. I'm trying to get a feel for when it 7 began. Did the process begin two days before 8 delivery of the assets or did it begin 9 immediately upon transfer of the assets? 10 MR. THOMAS: Objection to form. 11 A. I don't know when all of the assets 12 were officially delivered. That would be an 13 operations question. I know that I was given 14 lists to price and to review at various points 15 in time and there would be different updates to 16 those lists at points in time because certain 17 securities may or may not have been delivered. 18 Q. Were you involved in the 19 reconciliation of what was delivered and what 20 wasn't, or would that be Operations? 21 A. That would be Operations and line 22 controller functions. 23 Q. And were you involved in the creation 24 of any of the schedules related to the 25 transaction documentation?</p>

<p style="text-align: right;">Page 94</p> <p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 MR. THOMAS: Objection.</p> <p>3 A. I would not have been.</p> <p>4 Q. Did you have any contact with the</p> <p>5 Finance people that were putting together the</p> <p>6 acquisition balance sheet?</p> <p>7 A. Only to the extent that I would be</p> <p>8 delivering work from my team to support their</p> <p>9 work.</p> <p>10 Q. Did you receive any instructions from</p> <p>11 the people preparing the acquisition balance</p> <p>12 sheet that was out of the ordinary from what you</p> <p>13 might do on a day-to-day basis outside of a</p> <p>14 transaction like this?</p> <p>15 MR. THOMAS: Objection. Form.</p> <p>16 A. Could you clarify what you mean?</p> <p>17 Q. Let me rephrase that one.</p> <p>18 Did you and your team perform any</p> <p>19 functions in connection with the Lehman</p> <p>20 transaction that were outside of the normal</p> <p>21 scope of what you and your team would undertake?</p> <p>22 A. We -- we did everything we could to</p> <p>23 maintain our normal process, to be consistent in</p> <p>24 how we valued the securities, how we reviewed</p> <p>25 the securities in a normal course of business.</p>	<p style="text-align: right;">Page 95</p> <p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 You know, not having a trader's price</p> <p>3 to benchmark, we would have, you know, valued</p> <p>4 the securities consistently with how we normally</p> <p>5 would apply our policy and our procedure as to</p> <p>6 how we priced and valued these securities.</p> <p>7 Q. But it was not an ordinary situation</p> <p>8 because normally for this quantity of CUSIPs you</p> <p>9 would have a trader's mark; is that correct?</p> <p>10 A. A combination of factors. I think a</p> <p>11 portfolio of this size usually doesn't transfer</p> <p>12 every day. The portfolio itself was of such</p> <p>13 inferior quality to everything we had in our</p> <p>14 books and records that it required a much more</p> <p>15 exhaustive review as to how to ascribe fair</p> <p>16 value to these positions because of the low</p> <p>17 levels of quality within that portfolio.</p> <p>18 Q. Were you told prior to valuing any of</p> <p>19 the asset classes that were transferred over in</p> <p>20 the Lehman transaction how much the trading</p> <p>21 desks wanted to write down certain asset classes</p> <p>22 by?</p> <p>23 A. Explain what you mean by "write down."</p> <p>24 Q. Prior to undertaking any sort of</p> <p>25 valuation process for individual CUSIPs, were</p>
<p style="text-align: right;">Page 96</p> <p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 you given a target number by which anyone at</p> <p>3 Barclays wanted to write down assets from the</p> <p>4 price at which they had been held on Lehman's</p> <p>5 books for?</p> <p>6 MR. THOMAS: Objection. Form.</p> <p>7 A. We had no idea where these positions</p> <p>8 were held on Lehman's books.</p> <p>9 Q. You never reviewed any of Lehman's</p> <p>10 marks for any of the positions for which you</p> <p>11 valued?</p> <p>12 A. I would not have had that data.</p> <p>13 Q. Are you aware that during the week</p> <p>14 preceding the closing, that lists of CUSIPs were</p> <p>15 exchanged that held marks corresponding to what</p> <p>16 Lehman had it on its books for?</p> <p>17 MR. THOMAS: Objection to form.</p> <p>18 A. I don't recall seeing any list of</p> <p>19 CUSIPs that may have had a Lehman mark or would</p> <p>20 I have given consideration to where another firm</p> <p>21 would have marked the position.</p> <p>22 Q. To you, the mark of another firm would</p> <p>23 not be another data point that's worth</p> <p>24 consideration?</p> <p>25 A. It would be a data point.</p>	<p style="text-align: right;">Page 97</p> <p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 Q. But it is not a data point that</p> <p>3 Barclays considered in valuing the securities</p> <p>4 that your group was responsible for; is that</p> <p>5 correct?</p> <p>6 MR. THOMAS: Objection to form.</p> <p>7 A. I don't believe I had that data</p> <p>8 available to me at the time we were valuing this</p> <p>9 portfolio.</p> <p>10 Q. Did your group use as a data point the</p> <p>11 price at which JPM or BoNY had marked any of the</p> <p>12 securities within your group?</p> <p>13 A. We did look at that data as a data</p> <p>14 point within our process.</p> <p>15 Q. And how was that used as a data point</p> <p>16 within your process?</p> <p>17 A. In many cases, if there was no data</p> <p>18 available or we were unable to model a position,</p> <p>19 we may have defaulted to a BoNY price. We did</p> <p>20 review the prices that we derived using our own</p> <p>21 proprietary methodologies to value these bonds</p> <p>22 and compared that to the levels that we saw from</p> <p>23 BoNY or JPMorgan or IDC or other vendors that</p> <p>24 provide indicative pricing data for these types</p> <p>25 of transactions, and we used all of that data to</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 measure pricing dispersion from the various</p> <p>3 sources to measure our liquidity discounts as</p> <p>4 one point to support the liquidity discount from</p> <p>5 the pricing dispersion amongst all of the</p> <p>6 sources that were around at that time.</p> <p>7 (Exhibit 810B, a document bearing</p> <p>8 Bates Nos. BCI-EX-(S)52667 through 52668,</p> <p>9 with attachment, marked for identification,</p> <p>10 as of this date.)</p> <p>11 A. Okay.</p> <p>12 Q. Mr. Landreman, you have before you</p> <p>13 what has been marked as Deposition Exhibit 810B.</p> <p>14 Have you had an opportunity to read it?</p> <p>15 A. Yes, I have.</p> <p>16 Q. This is an e-mail that I'll represent</p> <p>17 to you is from Gary Romain to Rich Ricci, among</p> <p>18 others, and if you will -- and it's dated</p> <p>19 September 22. If you'll turn your attention to</p> <p>20 the body of the e-mail, the line that reads,</p> <p>21 "The \$2.83 billion valuation adjustment is S.</p> <p>22 King's first cut only." Do you see that?</p> <p>23 A. Yes, I do.</p> <p>24 Q. And do you know who S. King is?</p> <p>25 A. I believe that would be Stephen King.</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 Q. And what was Stephen King's position</p> <p>3 at Barclays?</p> <p>4 A. Stephen King was the head of the</p> <p>5 Proprietary Mortgage Trading Group -- Principal</p> <p>6 Mortgage Trading Group, PMTG.</p> <p>7 Q. And so your group was responsible for</p> <p>8 price testing securities that would fall under</p> <p>9 Stephen King's group; is that correct?</p> <p>10 A. If they would have been securitized</p> <p>11 products, yes.</p> <p>12 Q. Are you aware that, as of September</p> <p>13 22, there was already a determination that there</p> <p>14 would be a valuation adjustment to securities</p> <p>15 that had transferred to Barclays?</p> <p>16 MR. THOMAS: Objection to form.</p> <p>17 A. I know by September 22 we had started</p> <p>18 to review the data that we had received, and I</p> <p>19 know that there was a lot of surprise about the</p> <p>20 poor quality of the assets that were delivered</p> <p>21 to us and the uncertainty around the ability of</p> <p>22 certain assets to actually be considered real</p> <p>23 securities or to be delivered.</p> <p>24 In terms of Stephen King's valuation</p> <p>25 adjustment, I don't know how he derived that</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 number or where he was ascribing that valuation</p> <p>3 adjustment because that was a global number</p> <p>4 because Stephen King managed the entire</p> <p>5 portfolio of assets that was coming over, and I</p> <p>6 only saw the securitized products portion of</p> <p>7 that.</p> <p>8 Q. Did you or your group supply any</p> <p>9 information to Stephen King or his group that</p> <p>10 you feel would have been used to support a \$2.83</p> <p>11 billion valuation as of September 22?</p> <p>12 MR. THOMAS: Objection. Form.</p> <p>13 A. Stephen King had his own team that was</p> <p>14 able to make their own recommendations and look</p> <p>15 at these assets on their own and to determine</p> <p>16 what sort of adjustment or even valuation issues</p> <p>17 needed to be addressed.</p> <p>18 Q. Would it be your expectation that, as</p> <p>19 of September 22, Stephen King and his group had</p> <p>20 decided how much an internal sales, a reasonable</p> <p>21 internal sales price would be to them for the</p> <p>22 securities that were being transferred from</p> <p>23 Lehman?</p> <p>24 MR. THOMAS: Objection to form.</p> <p>25 A. I don't know that.</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 (Discussion off the record.)</p> <p>3 Q. Prior to closing, were you involved in</p> <p>4 any processes or communications that resulted in</p> <p>5 a demand for additional collateral by Barclays</p> <p>6 from Lehman?</p> <p>7 A. I'm not sure I understand the</p> <p>8 question.</p> <p>9 Q. Are you aware on Friday, prior to the</p> <p>10 closing of the Lehman transaction, that</p> <p>11 additional securities were requested for</p> <p>12 delivery from Lehman to Barclays?</p> <p>13 A. I wasn't involved in the negotiation</p> <p>14 or the settlement of the deal or the structure.</p> <p>15 MR. THOMAS: Objection. Form.</p> <p>16 Q. Were you providing any valuations that</p> <p>17 would support that Barclays was getting less or</p> <p>18 more consideration prior to closing that would</p> <p>19 be used in any negotiations of the deal?</p> <p>20 MR. THOMAS: Objection to form.</p> <p>21 A. When I came into the data, I was told</p> <p>22 that these were the securities that would be</p> <p>23 delivered to us and that we were to value those</p> <p>24 securities. We would not have been involved in</p> <p>25 the negotiations or any requests for additional</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 collateral.</p> <p>3 Q. So, as far as you know, none of the</p> <p>4 valuations that you or your team were working on</p> <p>5 were being used in connection with the</p> <p>6 negotiations of the transaction; is that</p> <p>7 correct?</p> <p>8 A. Not that I'm aware of.</p> <p>9 Q. Are you aware of the price at which</p> <p>10 Barclays booked the securities transferred to it</p> <p>11 on day one?</p> <p>12 MR. THOMAS: Objection to form.</p> <p>13 A. I am not aware of the price that was</p> <p>14 booked in the general ledger.</p> <p>15 Q. Is it your understanding that the</p> <p>16 positions were booked at one price on day one,</p> <p>17 and then subsequently amended for purposes of</p> <p>18 acquisition accounting once Barclays had</p> <p>19 concluded its valuation of the securities</p> <p>20 transferred to it?</p> <p>21 MR. THOMAS: Objection to form.</p> <p>22 A. I'm not that involved with the</p> <p>23 accounting aspects of how things get booked or</p> <p>24 the operations aspect of how things get booked</p> <p>25 and accounted for. I know I was asked to</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 provide valuations on securities for specific</p> <p>3 dates, and we did that.</p> <p>4 Q. And when did you and your team finish</p> <p>5 valuing the securities it was asked to value?</p> <p>6 A. I don't recall the date that it was.</p> <p>7 Q. If you could ballpark it for me. Was</p> <p>8 it September 22?</p> <p>9 A. No.</p> <p>10 Q. Was it --</p> <p>11 A. I would have -- I thought --</p> <p>12 Q. Weeks after the transaction? A month</p> <p>13 after the transaction?</p> <p>14 A. It was -- it was definitely several</p> <p>15 weeks. It took some time to get everything, you</p> <p>16 know, finalized. There were some preliminary</p> <p>17 numbers that came up within a couple weeks, but,</p> <p>18 you know, the final numbers and the final review</p> <p>19 ended up taking several weeks.</p> <p>20 Q. And is it your understanding that</p> <p>21 prices were changed based off the results of</p> <p>22 your valuation that didn't conclude until at</p> <p>23 least weeks after the transaction closed?</p> <p>24 MR. THOMAS: Objection to form.</p> <p>25 A. I don't recall that. It's possible</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 that there may have been some price adjustments</p> <p>3 both up or down based upon what we saw as we</p> <p>4 reviewed certain assets in more detail as more</p> <p>5 data became available.</p> <p>6 Q. For purposes of valuing the</p> <p>7 securities, were you and your team initially</p> <p>8 valuing those securities as the date of receipt</p> <p>9 or some other date?</p> <p>10 A. We were instructed to provide values</p> <p>11 as of specific dates, whether it was the 19th,</p> <p>12 the 22nd, or a number of days in between. So</p> <p>13 whenever we were asked to provide valuations as</p> <p>14 of effective dates, we provided the valuation as</p> <p>15 of the dates that we were requested.</p> <p>16 Q. And by whom were you requested to</p> <p>17 provide valuations as of a specific date?</p> <p>18 A. I don't recall specifically who asked,</p> <p>19 but I know that we've been asked on multiple</p> <p>20 occasions by different senior management to</p> <p>21 provide valuations as of specific dates.</p> <p>22 Q. And were you told or did you have an</p> <p>23 understanding at any point what the basis for</p> <p>24 using the close of business on September 19 was</p> <p>25 initially?</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 A. I was --</p> <p>3 MR. THOMAS: Objection to form.</p> <p>4 A. I was ambivalent. To me, I was being</p> <p>5 asked to value as of a certain day. I valued as</p> <p>6 of a certain date.</p> <p>7 Q. And so did you and your group never</p> <p>8 opined as to what would be a more appropriate</p> <p>9 measurement date for a security based off of a</p> <p>10 point in time?</p> <p>11 A. That would be a dialogue with</p> <p>12 Technical Accounting and Price -- PwC. They</p> <p>13 would be the experts that would opine on the</p> <p>14 effective date of the transaction.</p> <p>15 Q. Most of the securities that your group</p> <p>16 was responsible for valuing were received</p> <p>17 through the repo; is that correct?</p> <p>18 MR. THOMAS: Objection to form.</p> <p>19 A. I believe so.</p> <p>20 Q. And those positions, most of them, had</p> <p>21 been received as of Friday, September 19; is</p> <p>22 that correct?</p> <p>23 MR. THOMAS: Objection to form.</p> <p>24 A. I don't know when we physically</p> <p>25 received the securities.</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 Q. On some of the spreadsheets and</p> <p>3 throughout the matter, we've been referring to</p> <p>4 the securities that arrived on September 19</p> <p>5 through the repo as the initial inventory.</p> <p>6 Are you familiar with that term?</p> <p>7 A. Vaguely.</p> <p>8 Q. Do you have a ballpark figure of the</p> <p>9 number of CUSIPs that your team was responsible</p> <p>10 for that would be considered initial inventory</p> <p>11 securities?</p> <p>12 MR. THOMAS: Objection to form.</p> <p>13 A. I don't recall that, that -- I know it</p> <p>14 was a large number, but I don't know what the --</p> <p>15 what the count of securities was.</p> <p>16 Q. But there was a significant number of</p> <p>17 CUSIPs that your team valued that came over as</p> <p>18 part of the initial inventory; is that correct?</p> <p>19 MR. THOMAS: Objection to form.</p> <p>20 A. There was a large file of securities,</p> <p>21 yes.</p> <p>22 Q. As part of the initial inventory, as</p> <p>23 opposed to later securities transferred; is that</p> <p>24 correct?</p> <p>25 MR. THOMAS: Objection to form.</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 A. Again, I don't know your definition of</p> <p>3 the "initial inventory" because it was really</p> <p>4 irrelevant to us. We were given a list of</p> <p>5 positions to price as of effective specific</p> <p>6 days, and that's what we did.</p> <p>7 Q. I'm handing you what's previously been</p> <p>8 marked as Deposition Exhibit 86B, and I will</p> <p>9 also hand you what's previously been marked as</p> <p>10 Deposition Exhibit 87B.</p> <p>11 Have you previously seen either of</p> <p>12 these two documents?</p> <p>13 A. I don't recall seeing these documents</p> <p>14 before.</p> <p>15 Q. Have you seen a variation of this</p> <p>16 document before?</p> <p>17 A. I could have seen a variation of a</p> <p>18 document like this before.</p> <p>19 Q. I ask because I have numerous,</p> <p>20 numerous ones I can possibly show, so I just</p> <p>21 want to shortcut this in the sense of, would a</p> <p>22 document like this have been put together by</p> <p>23 someone in PCG? Let's start there.</p> <p>24 MR. THOMAS: Objection to form.</p> <p>25 A. This document would appear to be</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 created by somebody potentially in PCG or in</p> <p>3 Financial Control.</p> <p>4 Q. I'm going to give you what's</p> <p>5 previously been marked as Deposition Exhibit</p> <p>6 641A. We have tabbed a couple of pages. You</p> <p>7 don't need to turn to them yet, but just for</p> <p>8 convenience.</p> <p>9 Just let me know when you're ready.</p> <p>10 (Document review.)</p> <p>11 A. I think I'm ready.</p> <p>12 Q. Okay. Deposition Exhibit 641A was</p> <p>13 produced to us and appears to be at least</p> <p>14 substantially similar in parts to Deposition</p> <p>15 Exhibit 86B and 87B, and perhaps, in its full</p> <p>16 glory, it might be easier to question you based</p> <p>17 off of 641A.</p> <p>18 MR. THOMAS: Do you want to direct him</p> <p>19 to the parts that you think are</p> <p>20 substantially similar?</p> <p>21 Q. Yes. Why don't we start out with the</p> <p>22 first page that we have tabbed, which is what</p> <p>23 we'll use in lieu of 86B, which is one Excel tab</p> <p>24 of a much larger Excel workbook, and the Excel</p> <p>25 workbook is at BCI-EX-(S)-00213995 and it is the</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 summary tab, and the other tabs of that Excel</p> <p>3 workbook are broken out by asset category that</p> <p>4 at least roughly match up with those in the</p> <p>5 summary tab.</p> <p>6 Have you seen this workbook before?</p> <p>7 A. Not that I recall.</p> <p>8 Q. Do you believe that you or anyone on</p> <p>9 your team was responsible for creating it?</p> <p>10 MR. THOMAS: Objection to form.</p> <p>11 A. I believe that we contributed data to</p> <p>12 Sean, who would have put this together. I think</p> <p>13 it would be Sean or somebody in the Financial</p> <p>14 Control side.</p> <p>15 Q. If you'll turn to the fourth column,</p> <p>16 fourth column, which is titled "PCG Value"?</p> <p>17 A. Uh-huh.</p> <p>18 Q. Would you expect that the values in</p> <p>19 that column would reflect the valuations of your</p> <p>20 group, where applicable?</p> <p>21 MR. THOMAS: Objection. Foundation.</p> <p>22 A. I would say that those would have been</p> <p>23 close to being the values that we derived, or</p> <p>24 the values as they were calculated, without any</p> <p>25 liquidity adjustments.</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 Q. In terms of price testing, how is the</p> <p>3 process broken up between testing of value as</p> <p>4 opposed to testing of liquidity adjustment?</p> <p>5 A. Normally, in the securitized products</p> <p>6 world, there's a -- the liquidity adjustment</p> <p>7 would not -- we would have a trader's mark, and</p> <p>8 the difference between PCG price and the</p> <p>9 trader's mark, or the variance, we would expect</p> <p>10 it to be a conservative variance.</p> <p>11 Q. If you'll turn your attention to the</p> <p>12 two rows titled "PMTG" and "PMTG II." Your</p> <p>13 group was responsible for valuing certain of the</p> <p>14 securities within PMTG and PMTG II, correct?</p> <p>15 A. Correct.</p> <p>16 Q. Would you expect that for those assets</p> <p>17 that your group was responsible for within PMTG</p> <p>18 and PMTG II, that there would be any</p> <p>19 contribution to the numbers within the column</p> <p>20 "MV - 9-22 with Bid - Offer," which appears to</p> <p>21 be the liquidity adjustment?</p> <p>22 MR. THOMAS: Objection. Form.</p> <p>23 A. I don't know if that's what that</p> <p>24 means. I don't know --</p> <p>25 Q. I'm just trying to understand your</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 earlier answer about the asset class that you</p> <p>3 cover and that you wouldn't expect there to be</p> <p>4 much of a liquidity adjustment for those assets,</p> <p>5 and I just want to know, does that mean that</p> <p>6 there is no liquidity adjustment for any of the</p> <p>7 assets that your group was responsible for</p> <p>8 valuing?</p> <p>9 MR. THOMAS: Objection to form.</p> <p>10 A. No, there were liquidity adjustments</p> <p>11 for the assets that my group valued.</p> <p>12 Q. And would there be specific asset</p> <p>13 classes for which there would be liquidity</p> <p>14 adjustments?</p> <p>15 A. Yes.</p> <p>16 Q. And which would those be?</p> <p>17 A. We listed all of the assets that we</p> <p>18 provided liquidity adjustments for and the</p> <p>19 amount of the adjustment by the asset category.</p> <p>20 Q. Let's turn to the second tab, which is</p> <p>21 also within the Excel workbook Bates-stamped</p> <p>22 BCI-EX-(S)00213995 and is what is found within</p> <p>23 the tab of that Excel workbook titled</p> <p>24 "Liquidity."</p> <p>25 Have you seen this document before?</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 A. Yes, I have.</p> <p>3 Q. Did you assist in its creation?</p> <p>4 A. Yes, I did.</p> <p>5 Q. Would you direct me to which of the</p> <p>6 subtypes you and your group would have had</p> <p>7 responsibility for?</p> <p>8 A. Might be easier if you just go by the</p> <p>9 tabs.</p> <p>10 Q. Okay. Let's go back to --</p> <p>11 A. I would have the RMBS. That includes</p> <p>12 all RMBS-Reperforming, U.S. agency CMOs, U.S.</p> <p>13 agency pools, and the PMTG tab.</p> <p>14 Q. Everything within the PMTG tab?</p> <p>15 A. There will be certain corporate and</p> <p>16 credit-related -- like the certificate of</p> <p>17 deposits and the corporate credit senior was not</p> <p>18 part of -- it's not familiar to me.</p> <p>19 Q. So it appears that there's a</p> <p>20 significant number of securities within your</p> <p>21 group that applied a liquidity haircut. I'm</p> <p>22 just trying to understand, reconcile it with</p> <p>23 your earlier statement about your asset class</p> <p>24 and liquidity adjustments. So perhaps you can</p> <p>25 just explain a little bit more for me in terms</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 of --</p> <p>3 A. Within each asset category or asset</p> <p>4 type, we reviewed all of the pricing data points</p> <p>5 that we received for the various points in time,</p> <p>6 and we looked at a dispersion of pricing,</p> <p>7 assuming that each one of these indications was</p> <p>8 considered to be a fair value measurement, to</p> <p>9 show the variability amongst different opinions</p> <p>10 as to what the values could be or the</p> <p>11 uncertainty or the pricing dispersion, and</p> <p>12 within each category, we calculated a generic</p> <p>13 liquidity haircut based upon the pricing</p> <p>14 dispersion that we saw within these positions.</p> <p>15 Q. But only for those securities that</p> <p>16 were not priced based off of the internal sales</p> <p>17 price; is that correct?</p> <p>18 MR. THOMAS: Objection to form.</p> <p>19 A. I would need to see if there were</p> <p>20 traded prices that had liquidity adjustments. I</p> <p>21 didn't know if there would be or not. I would</p> <p>22 have to see.</p> <p>23 (Luncheon Recess; Time Noted: 12:56</p> <p>24 P.M.)</p> <p>25</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman 2 AFTERNOON SESSION 3 (Time Noted: 1:42 P.M.) 4 RICHARD LANDREMAN, resumed and 5 testified further as follows: 6 EXAMINATION BY (Cont'd.) 7 MR. CARRERO: 8 Q. Mr. Landreman, before the break, we 9 had left off looking at what has previously been 10 marked as Deposition Exhibit 641A. If you could 11 put that in front of you as well as what we 12 marked earlier today as 800B. 13 Do you have it in front of you? 14 A. Yes, I do. 15 Q. Could you tell me a little bit about 16 the attachment to this e-mail from Mr. Teague to 17 you and others dated October 27, if you're 18 familiar with it. 19 A. Where would you see the attachment? 20 Q. Does your document not have -- I'm 21 sorry. If you turn to what on my copy comes 22 after placeholder document Bates-stamped 23 BCI-EX-(S)-00207969 and then has what is an 24 Excel workbook printed out. 25 A. Okay.</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman 2 Q. Have you seen this document before? 3 A. I don't recall this. 4 Q. Do you recall providing data that was 5 used in its creation? 6 A. I don't recall that. 7 Q. Does that apply to each page of the 8 attachment or only to the first page? 9 MR. THOMAS: Objection to form. 10 A. I don't remember the data that went 11 into here, although it would have come from my 12 group, or pieces of it would have come from my 13 group. 14 Q. Is the data that is within the 15 attachment to 800B an earlier point in time than 16 the data that ultimately feeds into Deposition 17 Exhibit 641A? 18 MR. THOMAS: Objection to form. 19 A. Which tab on 641A? 20 Q. If you turn back to the first flag 21 that we have put on the document for you, that 22 summary page as well as all the supporting pages 23 that roll into that summary page. 24 Why don't we step back. I'm just 25 trying to get an understanding of the process</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman 2 that was under way in the fall of 2008 in 3 valuing the securities that your group was 4 responsible for and how the outcome of that 5 analysis was subsequently disseminated and makes 6 its way into the acquisition balance sheet. 7 I've seen, and I can put a number -- 8 I'm trying to make this as few documents as 9 possible, but I can put a number of documents in 10 front of you where we see correspondence 11 internally as well as with PwC. Data is going 12 back and forth. I want to understand your role 13 in that process of valuing the securities and 14 getting data into what are a number of 15 spreadsheets. 16 So with that said, were you personally 17 involved in the creation of any spreadsheets 18 that record the results of price testing by your 19 group? 20 A. No. 21 Q. Did you review a number of 22 spreadsheets that record the outcome of price 23 testing by your group? 24 A. I would only have reviewed results as 25 it pertains to the asset categories that I price</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman 2 tested. 3 Q. And could you describe for me what 4 those spreadsheets look like? I've got so many 5 spreadsheets here. I'm trying to shortcut it in 6 terms of what -- 7 A. The spreadsheets that I would have 8 reviewed would have been produced in my group 9 that showed that the assets that we were giving 10 to Sean to consolidate would have tied back to 11 the numbers of the population that we were given 12 in terms of number of securities and the 13 notional balances, and then we would have 14 provided market values and any adjustments that 15 would have been prescribed at the time. 16 Q. So, turning back to 641A, if you go 17 back to the first page that's flagged, which is 18 a summary page, and that is within Excel 19 workbook Bates-stamped BCI-EX-(S)-00213995, in 20 addition to a summary tab in that Excel 21 spreadsheet, there are a number of tabs that 22 correspond to asset classes, including RMBS and 23 PMTG. 24 Would your group have created the 25 underlying CUSIP-by-CUSIP tabs of the</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 spreadsheet -- let me see if I can find ones</p> <p>3 that would correspond. If you flip about 20</p> <p>4 pages into the spreadsheet ending in Bates</p> <p>5 number 995 and you come to what is the RMBS tab.</p> <p>6 A. I think I'm there.</p> <p>7 Q. Have you seen that tab, or something</p> <p>8 similar, previously?</p> <p>9 A. You're referencing</p> <p>10 BCI-EX-(S)-00213995, RMBS tab?</p> <p>11 Q. Exactly.</p> <p>12 A. I mean, I really can't read the copy</p> <p>13 here. So, I mean, it looks like a list of</p> <p>14 agency mortgages, but I can't really read the</p> <p>15 pricing or the titles to the columns.</p> <p>16 Q. Is it a document, the format of which</p> <p>17 you feel you have seen before?</p> <p>18 A. It looks like a spreadsheet.</p> <p>19 (Exhibit 811B, a document bearing</p> <p>20 Bates Nos. BCI-EX-(S)207849 through 7850,</p> <p>21 with attachment, marked for identification,</p> <p>22 as of this date.)</p> <p>23 Q. Just let me know when you're ready.</p> <p>24 (Document review.)</p> <p>25 A. I think I'm ready.</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 Q. Okay. You have before you what has</p> <p>3 been marked Deposition Exhibit 811B. Turn your</p> <p>4 attention to the e-mail at the bottom of the</p> <p>5 first page. It's from Mr. Teague to Phillip</p> <p>6 Nash. It's CC-ing you, among others, and it</p> <p>7 attaches an acquisition PL 0930 Liquidity</p> <p>8 10/10/08 file. Do you see that?</p> <p>9 A. I see that.</p> <p>10 Q. And above that attachment it says,</p> <p>11 "The below file includes liquidity adjustment as</p> <p>12 per Patrick's request." Do you see that?</p> <p>13 A. I see that.</p> <p>14 Q. And if you turn to the attachment, do</p> <p>15 you recall this document?</p> <p>16 A. No, I do not.</p> <p>17 Q. You don't have any reason to believe</p> <p>18 you did not receive it; is that correct?</p> <p>19 A. I may have received it, but this would</p> <p>20 have been -- I would not have been involved in</p> <p>21 the dialogue around this type of spreadsheet.</p> <p>22 Q. Looking at the attachment and the line</p> <p>23 item for agency mortgages, which is number row</p> <p>24 7?</p> <p>25 A. Okay.</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 Q. Would the securities within that asset</p> <p>3 class have been your responsibility and your</p> <p>4 group's?</p> <p>5 A. Yes, I believe so.</p> <p>6 Q. And there's a footnote 2 next to</p> <p>7 agency mortgages which says, "As of COB 9/30."</p> <p>8 Do you see that?</p> <p>9 A. Yes.</p> <p>10 Q. Do you know what that's a reference</p> <p>11 to?</p> <p>12 A. I have no idea.</p> <p>13 Q. If you would look at column D, which</p> <p>14 is titled "BARC COB 9/19 MV at 9/19" and compare</p> <p>15 it to column titled "BARC COB 9/19 MV at 10/3,"</p> <p>16 do you know how those two columns compare?</p> <p>17 A. I have no idea. You could speak to</p> <p>18 the author of this document what the intent of</p> <p>19 this presentation was.</p> <p>20 Q. If you turn back to Deposition Exhibit</p> <p>21 800B and look at the attachment four pages in,</p> <p>22 on the bottom left-hand corner it says "FO Sum"?</p> <p>23 A. I'm sorry, where are you?</p> <p>24 Q. Four pages into the attachment to</p> <p>25 Deposition Exhibit 800B, on the bottom left-hand</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 corner it says "FO Sum"?</p> <p>3 A. Four pages in?</p> <p>4 MR. THOMAS: It's got 53 rows?</p> <p>5 MS. CARRERO: Exactly.</p> <p>6 Q. It looks a lot like the previous</p> <p>7 document that we showed you, 811B.</p> <p>8 A. Okay.</p> <p>9 Q. Do you have an understanding of what</p> <p>10 "FO Sum" would stand for?</p> <p>11 A. Where do you see that again?</p> <p>12 Q. Bottom left-hand corner.</p> <p>13 A. Bottom left-hand corner. Which line?</p> <p>14 Q. It's actually the bottom left-hand</p> <p>15 corner of the page.</p> <p>16 A. Oh. I have no idea. It looks like</p> <p>17 the name of the document or ...</p> <p>18 Q. It's tab, it's the tab name of the</p> <p>19 Excel workbook, but I'm wondering if</p> <p>20 convention -- would you think it means front</p> <p>21 office summary?</p> <p>22 A. You'd have to speak with the author of</p> <p>23 the document.</p> <p>24 Q. You don't recall receiving attached to</p> <p>25 a number of e-mails any front office summaries</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 of the assets acquired in the Lehman</p> <p>3 transaction?</p> <p>4 MR. THOMAS: Objection to form.</p> <p>5 A. As what point in time and when? I</p> <p>6 mean, I'm ...</p> <p>7 Q. At any time in the fall of 2008.</p> <p>8 A. There have been a lot of e-mail</p> <p>9 traffic and a lot of spreadsheets and schedules,</p> <p>10 and these types of accounting schedules and</p> <p>11 these discussions as to what the net P&L would</p> <p>12 be of the transaction I was not involved with.</p> <p>13 Q. And again, turning to the agency</p> <p>14 mortgages footnote 2, as of close of business</p> <p>15 9/30?</p> <p>16 A. Like I said, I was asked to perform</p> <p>17 analyses on lots of didn't dates, and the 30th</p> <p>18 would have been a standard pricing date for our</p> <p>19 processes to be performed on the 30th, the end</p> <p>20 of the month.</p> <p>21 Q. So it's not your understanding that</p> <p>22 September 30th is reflective of the internal</p> <p>23 sales sale date?</p> <p>24 A. I don't know that.</p> <p>25 (Exhibit 812B, a document bearing</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 Bates Nos. BCI-EX-(S) 207979 through 7980,</p> <p>3 with attachment, marked for identification,</p> <p>4 as of this date.)</p> <p>5 Q. Mr. Landreman, you have before you</p> <p>6 what has been marked as Deposition Exhibit 812B.</p> <p>7 If you want to take a moment to flip through it.</p> <p>8 (Document review.)</p> <p>9 Q. Are you ready?</p> <p>10 A. Okay.</p> <p>11 Q. Looking at the e-mail at the bottom</p> <p>12 from Mr. Teague to a number of people CC-ing</p> <p>13 you, dated November 14, "Subject: Haircut," do</p> <p>14 you see that?</p> <p>15 A. Yes, I do.</p> <p>16 Q. And you see that it says, "Please</p> <p>17 provide data to support the bid/offer</p> <p>18 assumptions on the liquidity tab for Agencies</p> <p>19 (Kevin M) Corp. (Kevin J) Muni (Elly) and EM</p> <p>20 (Heidi Su). Keep in mind this is for September</p> <p>21 30 month-end.</p> <p>22 "Suggestions - base it off real market</p> <p>23 data if available. If only have consensus data,</p> <p>24 what is the band of pricing you are getting?</p> <p>25 Again, if lack specific data, just do high level</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 across your tested population. More high level,</p> <p>3 easier to explain and quicker you can provide</p> <p>4 data to support haircut."</p> <p>5 Do you see that?</p> <p>6 A. Yes, I do.</p> <p>7 Q. What's your understanding of the</p> <p>8 statement, "Keep in mind this is for 30</p> <p>9 September month-end"?</p> <p>10 A. I'm sorry, could you repeat that?</p> <p>11 Q. What's your understanding of the</p> <p>12 sentence at the end of the first paragraph that</p> <p>13 says, "Keep in mind this is for 30 September</p> <p>14 month-end"?</p> <p>15 A. You'd have to ask Sean what he meant</p> <p>16 by that. I'm assuming that he wanted people to</p> <p>17 produce the analysis he requested as of</p> <p>18 September 30.</p> <p>19 Q. Do you know why he was requesting as</p> <p>20 of September 30?</p> <p>21 A. No, I do not.</p> <p>22 Q. Do you know how the bid/offer</p> <p>23 assumptions differed from those that were used</p> <p>24 on the Barclays' acquisition of Lehman assets?</p> <p>25 MR. THOMAS: Objection to form.</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 A. I do not know what -- I don't --</p> <p>3 Where do you see that?</p> <p>4 Q. Well, it's asking to support bid/offer</p> <p>5 assumptions as of -- "keep in mind this is for</p> <p>6 September 30." My question is, how, if at all,</p> <p>7 does this relate to the acquisition of Lehman</p> <p>8 assets?</p> <p>9 MR. THOMAS: Objection to form.</p> <p>10 A. This e-mail I was included on as a</p> <p>11 former supervisory capacity to Elly Pu because,</p> <p>12 in terms of any sort of bid/offer documentation,</p> <p>13 which was being requested from Elly, this would</p> <p>14 have been in terms of how it related to</p> <p>15 municipals, and Elly was working on that. So</p> <p>16 the only reason I was on this e-mail was to make</p> <p>17 sure that Elly was working to get this</p> <p>18 performed.</p> <p>19 Q. So in the fall of 2008 was Elly Pu</p> <p>20 within your group?</p> <p>21 A. She was performing valuations for</p> <p>22 municipal bonds and she was in process of being</p> <p>23 transferred over into Sean's group.</p> <p>24 Q. Who had the ultimate say on the</p> <p>25 valuations for the muni bonds?</p>

<p style="text-align: right;">Page 126</p> <p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 A. Sean would have.</p> <p>3 Q. Is it your understanding that the</p> <p>4 September 30 date in this e-mail has no relation</p> <p>5 to the date of any internal sales within</p> <p>6 Barclays of assets acquired from Lehman?</p> <p>7 MR. THOMAS: Objection to form.</p> <p>8 A. I don't understand the question.</p> <p>9 Q. This September 30 date referenced in</p> <p>10 this e-mail, does it relate at all to the</p> <p>11 internal sale of assets within Barclays?</p> <p>12 A. I don't know that.</p> <p>13 Q. So looking first at what has been</p> <p>14 previously marked as Deposition Exhibit 548A,</p> <p>15 just take a quick look, and turning your</p> <p>16 attention to the second page, there's a, at the</p> <p>17 top, there's an e-mail from Marcus Morton dated</p> <p>18 January 29 to you, among others. Subject is</p> <p>19 Opening BS Valuation Work, and it says, "Can you</p> <p>20 please read and respond to the appropriate</p> <p>21 points?" Do you see that?</p> <p>22 A. Yes.</p> <p>23 Q. And then below there's an e-mail from</p> <p>24 PwC to Morton, and it asks a series of</p> <p>25 questions. Do you see that?</p>	<p style="text-align: right;">Page 127</p> <p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 A. Yes.</p> <p>3 Q. If you turn your attention to number</p> <p>4 1, which says, "Bid/offer - The desk marks to</p> <p>5 bid. The valuation adjustment has been taken on</p> <p>6 the desk price. Therefore, this appears to be</p> <p>7 double-counting. From a consistency purpose,</p> <p>8 the liquidity adjustment is not used at December</p> <p>9 31."</p> <p>10 Do you know what this is a reference</p> <p>11 to?</p> <p>12 A. No, I do not.</p> <p>13 Q. Do you recall responding to PwC on</p> <p>14 this point?</p> <p>15 A. Sean would have most likely responded</p> <p>16 to question number 1.</p> <p>17 Q. And why would you expect that Sean</p> <p>18 would have been the one to respond to question</p> <p>19 number 1?</p> <p>20 A. The majority of the value</p> <p>21 adjustment -- valuation adjustment dialogue and</p> <p>22 discussion was managed by Sean.</p> <p>23 Q. And do you know why that was, that it</p> <p>24 was managed by Sean?</p> <p>25 A. He was managing the majority of the</p>
<p style="text-align: right;">Page 128</p> <p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 consolidated reporting tasks for the portfolio.</p> <p>3 Q. And what were your roles with respect</p> <p>4 to the consolidated reporting tasks?</p> <p>5 A. Responding to my segments to Sean.</p> <p>6 Q. Would any of the points raised below</p> <p>7 have been points that fell within your area?</p> <p>8 A. Point 2.</p> <p>9 Q. Would that have been related to you</p> <p>10 because it's to PMTG?</p> <p>11 A. The assets within PMTG, the majority</p> <p>12 of which were securitized products, correct.</p> <p>13 Q. What about number 3?</p> <p>14 A. 3 was more of a Sean Teague issue.</p> <p>15 Q. Did Mr. Teague have primary</p> <p>16 responsibility for the valuation of Pine?</p> <p>17 A. I believe so.</p> <p>18 Q. If not Teague, is there anyone else</p> <p>19 you would expect would have had primary</p> <p>20 responsibility for the valuation of Pine?</p> <p>21 A. For the testing of it or for the --</p> <p>22 Q. Go ahead.</p> <p>23 A. That was a joint effort between the</p> <p>24 business and the Product Control due to the</p> <p>25 nature of the asset and the lack of available</p>	<p style="text-align: right;">Page 129</p> <p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 data for the specific structure and the fact</p> <p>3 that this was a newly formed structure which was</p> <p>4 really a bottom-of-the-barrel security which</p> <p>5 really had no precedent in the market at that</p> <p>6 time.</p> <p>7 Q. And who within the business would have</p> <p>8 been involved in the valuation of Pine?</p> <p>9 A. Within Stephen King's world, there was</p> <p>10 Jasen Yang and his team.</p> <p>11 Q. If you could turn to what has been</p> <p>12 marked as Deposition Exhibit 813B.</p> <p>13 (Exhibit 813B, a document bearing</p> <p>14 Bates Nos. PwC-BarCap11225 through 11310,</p> <p>15 marked for identification, as of this date.)</p> <p>16 (Document review.)</p> <p>17 A. Okay. I see this.</p> <p>18 Q. Okay. Have you seen this document</p> <p>19 before?</p> <p>20 A. No, I have not, or I don't recall.</p> <p>21 Q. Can you turn your attention to the</p> <p>22 third page heading 10.2, "Positions prices using</p> <p>23 other matrices, models or custodian price." The</p> <p>24 first sentence says, "The following portfolio</p> <p>25 sub-portfolios were fair-valued as follows." Do</p>

<p style="text-align: right;">Page 130</p> <p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 you see that?</p> <p>3 A. Yes, I see that.</p> <p>4 Q. Would you have been the person to</p> <p>5 supply PwC with the information on how the PMTG</p> <p>6 assets below were valued?</p> <p>7 MR. THOMAS: Objection. Form.</p> <p>8 A. PwC would have come to my team and</p> <p>9 received all of its supporting detail for</p> <p>10 everything that we performed in the valuations,</p> <p>11 and they had their experts review everything we</p> <p>12 did and they documented that here.</p> <p>13 Q. So, taking a step back and discussing</p> <p>14 the process by which you and your team would</p> <p>15 have interacted with PwC, when did that process</p> <p>16 start?</p> <p>17 A. It was, as far as I could recollect,</p> <p>18 it was nearly instantaneous. They are always,</p> <p>19 you know, conversing with my team about</p> <p>20 different sources. So when they started this</p> <p>21 particular analysis, I couldn't give you the</p> <p>22 exact date, but I'm sure it was -- they were</p> <p>23 asking for data while we were still pricing the</p> <p>24 portfolio and they were watching everything we</p> <p>25 were doing while we were valuing the portfolio.</p>	<p style="text-align: right;">Page 131</p> <p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 Q. And were you yourself the primary</p> <p>3 communicator for your asset classes, or did</p> <p>4 someone else on your team play that role?</p> <p>5 A. I would have had the PwC auditors meet</p> <p>6 with the analysts who performed the valuations.</p> <p>7 Q. If you would take a look at the</p> <p>8 section labeled 8, "Bid/offer - JPM Portfolio."</p> <p>9 A. Where is that? Oh, Section 8?</p> <p>10 Q. Section 8. Sorry. And do you see</p> <p>11 where it says, "Due to the fact that all</p> <p>12 positions were priced by the FO at 12/31, no</p> <p>13 bid/offer was required at 12/31 to adjust the</p> <p>14 traders' prices (and all PMTG positions were in</p> <p>15 PMTG trading desks at 12/31 and not the PMTG</p> <p>16 management book) prove?"</p> <p>17 Do you know if that is an accurate</p> <p>18 statement?</p> <p>19 MR. THOMAS: Objection to form.</p> <p>20 A. The physical movement from the</p> <p>21 management book to the trading desk's books</p> <p>22 would have been a line controller's function,</p> <p>23 so...</p> <p>24 Q. I'm sorry, could you explain that a</p> <p>25 little bit more in terms of the physical</p>
<p style="text-align: right;">Page 132</p> <p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 movement as opposed to the valuation of?</p> <p>3 A. Where the securities reside, in which</p> <p>4 books or which legal entities or wherever they</p> <p>5 are being managed, is a function of the line</p> <p>6 controllers. The line controllers would give us</p> <p>7 a list, a population of securities to value, and</p> <p>8 we would value those securities and return the</p> <p>9 results back to the line controllers and to the</p> <p>10 business as well.</p> <p>11 Q. I guess my confusion lies with how</p> <p>12 does the JPM portfolio differ from the initial</p> <p>13 inventory with respect to the valuation process</p> <p>14 that would have been undertaken by your group?</p> <p>15 A. Well, we priced it as of the dates</p> <p>16 that we were told to price it as of. In terms</p> <p>17 of the process, the securities which we received</p> <p>18 from JPMorgan were even worse than these things</p> <p>19 we received from Lehman Brothers. So it was a</p> <p>20 little more difficult to value these securities</p> <p>21 just because of the nature of the assets.</p> <p>22 However, it was a similar process that</p> <p>23 we used to price both portfolios.</p> <p>24 Q. So in the section above 7, "Changes In</p> <p>25 Measurement Dates - JPM Portfolio," do you see</p>	<p style="text-align: right;">Page 133</p> <p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 where it says, "PT priced the JPM securities as</p> <p>3 of December 22. FO priced the PMTG portfolio at</p> <p>4 12/31 and PT performed independent price</p> <p>5 verification as of that date." Do you see that?</p> <p>6 A. Okay. Your question again was?</p> <p>7 Q. You see that?</p> <p>8 A. I see that, yes.</p> <p>9 Q. And what does "PT" stand for?</p> <p>10 MR. THOMAS: Objection to form.</p> <p>11 A. Price testing.</p> <p>12 Q. And would PT be a reference to your</p> <p>13 group?</p> <p>14 A. Right.</p> <p>15 MR. THOMAS: Objection to form.</p> <p>16 A. Or our function within the firm.</p> <p>17 Q. And do you see the next line under 7</p> <p>18 that says, "Management identified a significant</p> <p>19 number of variances in the PMTG book between</p> <p>20 December 22 and December 31"?</p> <p>21 A. Yes, I do.</p> <p>22 Q. Do you have an understanding of what</p> <p>23 they mean by "management"?</p> <p>24 MR. THOMAS: Object to the form.</p> <p>25 A. We identified significant variances</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 between the prices that we derived and Product</p> <p>3 Control versus the prices that we did get on</p> <p>4 12/31 from the business when the traders marked</p> <p>5 the positions.</p> <p>6 Q. And what was done with that variance?</p> <p>7 A. We performed a detailed discussion and</p> <p>8 a deep dive with the business in regards to the</p> <p>9 individual assets just because these were --</p> <p>10 were so bad. These securities were 1998</p> <p>11 manufactured housing bonds. These were things</p> <p>12 that nobody sees.</p> <p>13 Q. And in terms of Barclays' acquisition</p> <p>14 accounting, is it your understanding that the PT</p> <p>15 price as of December 22 is the one that was</p> <p>16 used?</p> <p>17 MR. THOMAS: Objection to form.</p> <p>18 A. I don't know which price they used.</p> <p>19 Q. As a general matter, do you know which</p> <p>20 prices, what prices were used for any CUSIP for</p> <p>21 purposes of Barclays' acquisition accounting?</p> <p>22 A. Not with certainty.</p> <p>23 Q. Who made the decision of what price</p> <p>24 would be used for purposes of Barclays'</p> <p>25 acquisition accounting?</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 A. That, I don't know the answer to that.</p> <p>3 Q. If you had to guess, who would make</p> <p>4 that decision?</p> <p>5 A. I would assume that whoever is</p> <p>6 responsible for publication of the financial</p> <p>7 statements would have opined on which values</p> <p>8 were to be used.</p> <p>9 Q. And when you say responsibility for</p> <p>10 publication, who would that be?</p> <p>11 A. Whether that was the Technical</p> <p>12 Accounting Group, which would be Gary Romain's</p> <p>13 group for the financial reporting, or if it was</p> <p>14 all the way to Patrick Clackson or James Walker</p> <p>15 in the U.S., somebody who was, you know, whose</p> <p>16 name is responsible on the financial statements.</p> <p>17 At this point, it may have been James</p> <p>18 Walker in the U.S. I really don't know who</p> <p>19 would have made that decision.</p> <p>20 Q. If you would take a look under 5,</p> <p>21 "Changes in Measurement Dates - Lehman</p> <p>22 Portfolio." If you'll turn to the last</p> <p>23 paragraph -- I'm sorry, second-to-last</p> <p>24 paragraph, do you see where it says, "Barclays'</p> <p>25 policies and procedures require the front office</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 FO or trader to value trades as the trading</p> <p>3 experts and PT to independently verify FO marks.</p> <p>4 Between September 22 and September 30, PMTG</p> <p>5 transferred the majority of assets from the PMTG</p> <p>6 management book to the PMTG trading desks</p> <p>7 through an internal auction.</p> <p>8 "As of September 30, front office</p> <p>9 marked all positions and PT performed</p> <p>10 independent price verification over the FO marks</p> <p>11 in accordance with Barclays' policies and</p> <p>12 procedures."</p> <p>13 A. I see that.</p> <p>14 Q. Is that an accurate statement?</p> <p>15 A. That would be accurate.</p> <p>16 Q. Earlier when we were discussing</p> <p>17 internal sales prices, it was unclear whether or</p> <p>18 not PT was valuing the securities independently</p> <p>19 or were price testing the internal sales price.</p> <p>20 Does this refresh your recollection?</p> <p>21 A. As of 9/30, we would have had a trader</p> <p>22 mark on the book. As of 9/22, we would not have</p> <p>23 had a trader mark.</p> <p>24 Q. So, for purposes of the price of the</p> <p>25 position on September 22, your group had come up</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 with its independent price through the process</p> <p>3 that we discussed earlier?</p> <p>4 A. Uh-huh.</p> <p>5 Q. Is that correct?</p> <p>6 A. Correct.</p> <p>7 Q. And then later, come September 30,</p> <p>8 there would be an internal sale within Barclays</p> <p>9 that would generate a price which your group</p> <p>10 subsequently price tested; is that correct?</p> <p>11 MR. THOMAS: Objection.</p> <p>12 A. I don't --</p> <p>13 MR. THOMAS: Objection to form.</p> <p>14 A. I don't know when the sale took place,</p> <p>15 if it was any day in between there or if it was</p> <p>16 September 30. I don't know the official trade</p> <p>17 date of any securities that were transferred off</p> <p>18 the top of my head.</p> <p>19 Q. And do you know whether, for purposes</p> <p>20 of Barclays' acquisition accounting, they</p> <p>21 accounted for the majority, which is the way</p> <p>22 that it is characterized here, the majority of</p> <p>23 the PMTG assets acquired using the prices that</p> <p>24 your group came up with with an earlier date in</p> <p>25 September or if they accounted for it using the</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman 2 internal sales price as of September 30? 3 A. You would need to check with the 4 accountants on that because I performed the 5 valuations that we performed, and how the 6 information we provided was used by the 7 accountants was really a function of the 8 accounting groups. 9 Q. Would you agree that the value 10 potentially would be different as of an earlier 11 date in September that was over a week before 12 September 30? 13 MR. THOMAS: Objection to form. 14 A. It depends which assets you're 15 discussing. There may have been no change in 16 value, depending upon the asset category, or 17 there could have been, depending upon what 18 happened in the markets during that time. 19 Q. Was a process ever undertaken to 20 compare the prices that your group had come up 21 with as of the earlier date, the acquisition 22 date, versus the internal sales prices within 23 Barclays? 24 A. I'm sorry, can you repeat that? 25 Q. Was there a process by which the</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman 2 internal sales prices as of September 30 were 3 compared to the prices as of the acquisition 4 date before a determination was made as to which 5 to use for acquisition accounting? 6 A. If you look at this attachment in 7 section 5, PwC did a full review of the 9/22 8 versus the 9/30 prices, as did we, and they 9 reviewed our work. 10 Q. And were you involved in that process? 11 A. I would have been involved in that 12 process for the review of the asset valuations. 13 Q. But you were not involved in the 14 decision of whether to use the 9/19 estimates as 15 opposed to the 9/30 fair value estimates? 16 A. I was not involved in the technical 17 accounting aspects. 18 Q. Do you know if any of the securities 19 that were auctioned internally were offered to 20 third parties in the market before they were 21 acquired by Barclays' trading desks? 22 A. I don't know that. 23 Q. Do you know if the majority of assets 24 in PMTG were amortizing assets? 25 A. The majority of the assets in PMTG</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman 2 were mortgage-related, so they would have been 3 amortizing, yes. 4 Q. And do you know what a remittance 5 report is? 6 A. Yes, I do. 7 Q. Could you explain what one is? 8 A. A remittance report is published by 9 the master trustee to present to the investors 10 the performance of the trust and also show any 11 cash inflows and outflows of the trust for that 12 period of time. The remittance reports are 13 generally prepared on a monthly basis, but some 14 of the more esoteric assets may be produced on a 15 quarterly basis. 16 Q. Do you know for the amortizing assets 17 the date of the remittance reports that would 18 have been used to value the assets acquired? 19 A. Well, depending upon the structure, 20 the remittance reports may be issued on the 25th 21 or the 26th. There are different dates that 22 remittance reports are issued, depending upon 23 the structure. 24 Q. And do you know whether remittance 25 reports for September 25th as opposed to August</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman 2 25th were used for purposes of valuing the 3 securities as of September 19? 4 A. We would have been using the publicly 5 available data as of the 22nd through the -- 6 with backdating the analysis to the date in 7 question. So it would have been using the 8 historical data, not the actual data from 9 September. 10 Q. So you would have used the September 11 25th, but backdated it -- 12 A. When we opened the model, we would 13 have used the data that was available in the 14 model, but we would have asked the analysis to 15 be as of a specific date, which would have 16 ignored the updated information on the 17 remittance report. 18 Q. If valuing a security as of September 19 19 and you had to enter a price on that day, and 20 a September 25 remittance report would not be 21 available, how do you account for that by 22 using -- scratch that. 23 Does the model, does making those 24 inputs within your model take into consideration 25 the fact that that information would not have</p>

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2 been available as of September 19, or does it
3 simply just back out, you know, a week's time?

4 MR. THOMAS: Objection to form.

5 A. The key driver in a securitized
6 product valuation is the spread information that
7 you input as well as any assumptions as it
8 relates to prepayments or defaults, and our
9 assumptions on the prepayments and defaults
10 would have been driven on more generalized
11 market parameters as opposed to, you know,
12 something we would have found specifically in
13 that bond's remittance report at that month.

14 Q. So is it fair to say that the way it
15 was done, the September 25th remittance report,
16 to the extent it included any new pricing data,
17 it really wouldn't have been used in the model?

18 MR. THOMAS: Objection to form.

19 A. We already owned a large portfolio of
20 mortgage-backed securities, and we had been
21 applying pricing and methodologies that were
22 consistent with how we price our existing
23 portfolio.

24 We also owned our own mortgage
25 originator and our own mortgage servicer at the

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2 time, and we had trend data that we used in the
3 prediction or the estimation of the assumptions
4 that we would use in our valuation.

5 The remittance reports generally were
6 confirming our view of the trends that we were
7 using in our valuations.

8 Q. So they were not inputs into your
9 model, they were simply used to confirm the
10 outputs that your model generated; is that
11 correct?

12 A. Unless there was a material deviation
13 from our expectations of the performance of a
14 bond on any given basis, generally the updates
15 of the remittance reports had minimal effects on
16 our valuations.

17 Q. September 25th remittance reports were
18 used and could have had some effect on your
19 valuations, even if minimal, correct?

20 A. Within -- potentially.

21 Q. If I could have you also put in front
22 of you what was previously marked 808B.

23 A. Okay. 808B.

24 Q. Turning your attention back to the
25 e-mail we were looking at earlier from Sean

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1 HIGHLY CONFIDENTIAL - Landreman
2 Teague dated September 15, Roman II, "ABS
3 Testing," and reference to a matrix developed by
4 your group for Alt A positions?

5 A. Okay.

6 Q. Was this matrix based on recent trade
7 levels even where there was little trading
8 activity?

9 Forgive me for being a layperson, I
10 might be butchering the terminology here, but
11 could you just tell me about the matrix being
12 used for Alt A securities?

13 A. The prices that we observed for trades
14 in the market was the market at the time. So
15 there was limited trading, but there was
16 trading. We did have a running trend of the
17 trades so we were looking at what was happening
18 pretty much every day for the prior six months,
19 and every month we would calibrate these curves
20 to the trades that we would see in the market.

21 So, based upon the product and the
22 vintage and the performance of that specific
23 bond, we would track all of the trades and use
24 that in the process of creating these spread
25 matrices that we would apply toward comparable

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2 bonds.

3 Q. And the same matrix would have been
4 used for ultimately price testing the internal
5 sales price within Barclays for any Alt A
6 securities acquired from Lehman?

7 A. For all securities.

8 Q. For all Alt A securities?

9 A. Yes.

10 Q. And the same matrix would have been
11 used for purposes of pricing the securities as
12 of the acquisition date for all Alt A securities
13 acquired?

14 A. The prices derived in my group would
15 have been derived using the models that we had
16 internally.

17 Q. And the models would have been the
18 matrix that is --

19 A. The data within the matrix would have
20 been incorporated within the modeling of the
21 bond.

22 Q. And how would the bond have been
23 modeled? What would the next step be after
24 you've got a matrix? Those are your inputs for
25 your model; is that correct?

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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 A. Right.</p> <p>3 Q. And what kind of model is it?</p> <p>4 A. Well, there are vendor models like</p> <p>5 Intex or, you know, Polypaths was another</p> <p>6 application that we used which was really a</p> <p>7 wrapper into Intex, or Bloomberg. There are a</p> <p>8 number of vendored models that we were able --</p> <p>9 we could use to price, for example, an Alt A</p> <p>10 bond, we would take the spread assumption, the</p> <p>11 discount rate that we would derive from our</p> <p>12 observable trades because we had a number of</p> <p>13 trades that traded at a specific spread, we</p> <p>14 would have used that spread to -- or a</p> <p>15 comparable spread to price this bond if they</p> <p>16 were of comparable quality or of comparable</p> <p>17 vintage and performance.</p> <p>18 But we would look at all of the</p> <p>19 parameters in the bond in a very detailed manner</p> <p>20 to make sure that we were projecting what we</p> <p>21 thought was going to be the real performance of</p> <p>22 that bond going forward to derive a fair value.</p> <p>23 Q. And would that include testing the</p> <p>24 fundamentals of the underlying loans?</p> <p>25 A. We would be looking at the performance</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 of the bonds that composed the entire security.</p> <p>3 Q. And are you aware of any document that</p> <p>4 contains all of the inputs used for modeling Alt</p> <p>5 A securities?</p> <p>6 A. Yes, that would be part of our working</p> <p>7 papers.</p> <p>8 Q. I'm going to hand you what has been</p> <p>9 previously marked as Deposition Exhibit 635A.</p> <p>10 (Document review.)</p> <p>11 Q. You ready?</p> <p>12 A. Sure.</p> <p>13 Q. This is an attachment behind a letter</p> <p>14 from counsel that accompanied the production.</p> <p>15 Have you seen the attachment before,</p> <p>16 which is Bates-numbered 00302803?</p> <p>17 A. Yes, I have.</p> <p>18 Q. And can you tell me what it is?</p> <p>19 A. Each of these boxes represents a</p> <p>20 spread matrix that we would apply towards a</p> <p>21 different asset category. So, for example, a</p> <p>22 prime bond was, you know, the best quality</p> <p>23 mortgages at the time. The LCR would stand for</p> <p>24 a loss coverage ratio, which we would calculate.</p> <p>25 There was a formula to say how much</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 credit supporting existed within the structure,</p> <p>3 and that loss coverage ratio, the higher the</p> <p>4 ratio meant there was more credit support within</p> <p>5 the bond to protect that investor from losses,</p> <p>6 and as your loss coverage ratio would go down,</p> <p>7 these spreads with widen to account for the</p> <p>8 higher risk.</p> <p>9 We calculated these spreads based upon</p> <p>10 observable trades, where we would take any bond</p> <p>11 that traded, we would look at the spread, and</p> <p>12 then we would then graph and point out where the</p> <p>13 loss coverage ratio was for that specific bond.</p> <p>14 So we would be able to draw a curve that would</p> <p>15 show where the loss coverage ratio could be or</p> <p>16 should be in our matrix.</p> <p>17 Q. Okay. To break that down a little</p> <p>18 bit, is this the Alt A matrix that's referenced</p> <p>19 in the document we had previously reviewed,</p> <p>20 Deposition Exhibit 808B?</p> <p>21 MR. THOMAS: Objection to form.</p> <p>22 A. The three matrices on the top of this</p> <p>23 page are Alt A matrices. So, prime, Alt A and</p> <p>24 option ARMs are all considered, theoretically,</p> <p>25 Alt A for -- in mortgage vernacular.</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 Q. And the numbers within this matrix</p> <p>3 would then, in turn, have been put into a model;</p> <p>4 is that correct?</p> <p>5 A. Correct.</p> <p>6 Q. Are there any other inputs into that</p> <p>7 model besides what's within this matrix, which</p> <p>8 is the first page of the attachment?</p> <p>9 A. Yes. There would be a prepayment</p> <p>10 speed assumption.</p> <p>11 Q. And would that input be somewhere</p> <p>12 within this same document?</p> <p>13 A. It should be, however I'm not able to</p> <p>14 read the attachments clearly in the handout you</p> <p>15 have given me.</p> <p>16 Q. We can pull it up electronically,</p> <p>17 which I would rather not, but provided that this</p> <p>18 copy is not the best, does it look as though</p> <p>19 it's the type that would contain that</p> <p>20 information, or should I bring up --</p> <p>21 A. The spreadsheet should contain some of</p> <p>22 the other assumptions that were used, but I</p> <p>23 don't know if I see it in this version of the</p> <p>24 spreadsheet.</p> <p>25 Q. It's my understanding, you know, and</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 we can have this conversation off the record if</p> <p>3 you prefer, that based on the production letter</p> <p>4 and our conversations for this type of material,</p> <p>5 that this is it, this is what's supposed to</p> <p>6 include that information, it's the backup.</p> <p>7 And we can pull up the e-mail that's</p> <p>8 referenced in Boies Schiller's February 22</p> <p>9 letter dated -- the e-mail dated February 18</p> <p>10 that's referenced for further discussion about</p> <p>11 it. I just would like to know, if not in this</p> <p>12 type of document, where would we find the other</p> <p>13 assumptions that would have been used?</p> <p>14 A. I mean, this spreadsheet was a</p> <p>15 presentation that was the discount margin</p> <p>16 application and then the pricing results. So if</p> <p>17 you needed to see the prepayment assumptions</p> <p>18 that were used, they could be provided.</p> <p>19 That may have been a column that was</p> <p>20 hidden in this spreadsheet that was hidden when</p> <p>21 it was printed. There was lots of data</p> <p>22 underlying these models, so ...</p> <p>23 Q. In addition to the matrix and the</p> <p>24 prepayment input, what other sorts of inputs</p> <p>25 went into the model and are they captured within</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 this document?</p> <p>3 A. I mean, there's a lot of information</p> <p>4 that we used in the valuation of a security</p> <p>5 which we boiled down to a, you know, loss</p> <p>6 coverage ratio and a discount margin that I</p> <p>7 would not -- that I don't see on this specific</p> <p>8 spreadsheet.</p> <p>9 Q. And where would you keep that type of</p> <p>10 information?</p> <p>11 A. Again, in the working files. We</p> <p>12 downloaded indicative data. We download data</p> <p>13 about the performance of the bonds in our</p> <p>14 spreadsheets. And the working files get so</p> <p>15 large that, in order to print a report out that</p> <p>16 would fit on a spreadsheet, you would make it</p> <p>17 smaller for the printout and, depending upon who</p> <p>18 requested the data, we would present that data</p> <p>19 that they requested. So ...</p> <p>20 Q. If you could just put that aside and</p> <p>21 we put before you a document that's previously</p> <p>22 been marked Deposition Exhibit 646A.</p> <p>23 A. Yes.</p> <p>24 Q. Have you ever seen this document</p> <p>25 before?</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 A. No, I have not.</p> <p>3 Q. Will you turn to page 5 of this</p> <p>4 document, actually, at the very bottom of page</p> <p>5 4, and the chart has a row related to non-agency</p> <p>6 mortgage-backed securities and then a column</p> <p>7 about the procedures performed by PwC followed</p> <p>8 by a column of the observations/conclusions PwC</p> <p>9 reached.</p> <p>10 Without asking you to sit here and</p> <p>11 read all of it, similar to what we previously</p> <p>12 marked as Deposition Exhibit 813B, which was a</p> <p>13 PwC e-mail recording --</p> <p>14 A. 813B, okay.</p> <p>15 Q. What, if any, role did you have in</p> <p>16 supplying this information to PwC?</p> <p>17 A. We provided PwC with all of our</p> <p>18 working documentation and all of the paperwork</p> <p>19 that they requested to perform a full audit of</p> <p>20 the fair value process that we performed.</p> <p>21 Q. If you look at page 5 of 646A, and you</p> <p>22 see within the document are embedded</p> <p>23 spreadsheets, including you can see an</p> <p>24 attachment called Matrix Comparison Summary.xls,</p> <p>25 and then below that, Matrix Comparison (#3).</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 Scratch that.</p> <p>3 (Recess; Time Noted: 3:14 P.M.)</p> <p>4 (Time Noted: 3:27 P.M.)</p> <p>5 (Exhibit 814B, a document bearing</p> <p>6 Bates Nos. PwC-BarCapWP_23318 through 23351,</p> <p>7 marked for identification, as of this date.)</p> <p>8 BY MS. CARRERO:</p> <p>9 Q. Mr. Landreman, I have put before you</p> <p>10 what has been marked as Deposition Exhibit 814B.</p> <p>11 If you could turn your attention to the third</p> <p>12 page, there is an e-mail from Andrew Pickett to</p> <p>13 you and Mr. Teague dated December 18, subject:</p> <p>14 "Lehman Acquisition Prices." Do you see that?</p> <p>15 A. Page 3, yes, I see that.</p> <p>16 Q. And do you see Mr. Pickett writes,</p> <p>17 "Sean and Rich, we are trying to close out our</p> <p>18 documentation of the positions acquired from</p> <p>19 Lehman, and had two points of clarification to</p> <p>20 run by you:</p> <p>21 "1. Is the 10 to 25 percent liquidity</p> <p>22 haircut at 9/30 applied to call BarCap CDO/CLO</p> <p>23 positions or the Lehman/JPM acquisition</p> <p>24 positions?"</p> <p>25 Do you see that?</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 A. I see that.</p> <p>3 Q. Are liquidity haircuts at September 30</p> <p>4 applied to all of Barclays' CDO/CLO positions as</p> <p>5 of that date, or is it only to the Lehman/JPM</p> <p>6 positions that were acquired?</p> <p>7 A. You probably need to speak to Sean</p> <p>8 about this specific question because, in terms</p> <p>9 of the application of the liquidity haircuts as</p> <p>10 of 9/30, I wasn't involved in the application of</p> <p>11 that for the different portfolios.</p> <p>12 Q. Would the CDO/CLO positions be within</p> <p>13 your group or Teague's group?</p> <p>14 A. The CDO/CLO positions for Barclays</p> <p>15 would have been in my group. They would not</p> <p>16 have been applied on the Barclays' positions.</p> <p>17 However, I don't know if at 9/30 they were being</p> <p>18 applied to the Lehman/JPMorgan positions.</p> <p>19 I thought we were pricing these as of</p> <p>20 an acquisition date with the liquidity haircuts</p> <p>21 and then the business would have priced this the</p> <p>22 30th. But Sean might be able to clarify that</p> <p>23 for you.</p> <p>24 Q. Was your group, as of September 30,</p> <p>25 applying liquidity haircuts in the range of 10</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 to 25 percent on other CDO positions owned by</p> <p>3 Barclays at that time?</p> <p>4 A. Not where we had trader prices.</p> <p>5 Q. Would the trader's price have included</p> <p>6 a liquidity haircut of anywhere in the</p> <p>7 neighborhood of 10 to 25 percent?</p> <p>8 MR. THOMAS: Objection to form.</p> <p>9 A. The trader's price would have been</p> <p>10 reflective of fair value.</p> <p>11 Q. And would fair value include a</p> <p>12 liquidity haircut of in the range of 10 to 25</p> <p>13 percent?</p> <p>14 MR. THOMAS: Objection to form.</p> <p>15 A. I don't understand that question.</p> <p>16 Q. Isn't it your group's role to price</p> <p>17 test the trader's mark?</p> <p>18 A. Correct.</p> <p>19 Q. If in that price testing you were to</p> <p>20 determine that the trader's mark included a 10</p> <p>21 to 25 percent liquidity haircut, would that</p> <p>22 constitute a fair value mark?</p> <p>23 A. The trader would not be giving us a --</p> <p>24 the trader would give us a single mark and we</p> <p>25 would test that mark against data that we see in</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 the market.</p> <p>3 Q. Do I understand that to mean that it</p> <p>4 is PT, meaning your group, as opposed to the</p> <p>5 front office that would be the one to apply a</p> <p>6 liquidity haircut, if one was to be applied?</p> <p>7 MR. THOMAS: Objection to form.</p> <p>8 A. Well, the liquidity adjustments that</p> <p>9 were made in the opening balance sheet were more</p> <p>10 a function of, or at least my understanding is</p> <p>11 that those were a function of not having trader</p> <p>12 marks on those specific positions, and then once</p> <p>13 the traders marked those positions, the</p> <p>14 liquidity adjustments would be removed.</p> <p>15 Q. So, in the ordinary course, if you had</p> <p>16 a trader's mark, there would be no need for a</p> <p>17 liquidity adjustment; it's only in the absence</p> <p>18 of one that a liquidity adjustment would be</p> <p>19 added?</p> <p>20 MR. THOMAS: Objection to form.</p> <p>21 A. I think it's dependent upon the intent</p> <p>22 of the analysis and what the -- which portfolios</p> <p>23 we were talking about, which positions</p> <p>24 specifically.</p> <p>25 Q. I'm just trying to get an</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 understanding. It's month-end, it's September</p> <p>3 30, and you have positions that are within your</p> <p>4 group's responsibility which includes CDOs.</p> <p>5 Are you applying liquidity haircuts to</p> <p>6 all CDO positions that Barclays owns, or is it</p> <p>7 only with respect to those acquired from Lehman?</p> <p>8 MR. THOMAS: Objection.</p> <p>9 A. It was my understanding that the</p> <p>10 liquidity adjustments were really only applied</p> <p>11 on the opening day balance sheet. So the 9/30</p> <p>12 valuation for the CDO/CLO positions that were</p> <p>13 already on Barclays' balance sheets would not</p> <p>14 have received liquidity adjustments.</p> <p>15 Q. And then what would happen the</p> <p>16 following day, October 1? What price would be</p> <p>17 reflected for those same CDO positions that had</p> <p>18 a 10 to 25 percent liquidity haircut as of</p> <p>19 September 30?</p> <p>20 A. I never said there was a liquidity</p> <p>21 haircut as of September 30.</p> <p>22 Q. When was there a liquidity haircut as</p> <p>23 of?</p> <p>24 A. The opening balance sheet? As of --</p> <p>25 was that September 22 or --</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 Q. So the day after the acquisition</p> <p>3 balance sheet, let's say, is there going to be a</p> <p>4 liquidity haircut for any position --</p> <p>5 MR. THOMAS: Objection to form.</p> <p>6 Q. -- on Barclays' balance sheet?</p> <p>7 A. The traders would have marked the</p> <p>8 positions to fair value.</p> <p>9 Q. Is there a system within Barclays that</p> <p>10 enables one to pull up what the marks are for</p> <p>11 each CUSIP as of the day after the acquisition?</p> <p>12 A. I don't know if all of these assets --</p> <p>13 I don't know where daily pricing would have been</p> <p>14 stored on some of these assets. It depends on</p> <p>15 which business they were in and which front</p> <p>16 office system they were entered into.</p> <p>17 Q. But it would exist somewhere within</p> <p>18 Barclays' information as to the mark on the day</p> <p>19 after the acquisition --</p> <p>20 A. Potentially.</p> <p>21 Q. -- balance sheet date?</p> <p>22 And any increases or decreases to the</p> <p>23 value from the date of the acquisition balance</p> <p>24 sheet would then be recorded as P&L; is that</p> <p>25 correct?</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 MR. THOMAS: Objection to form.</p> <p>3 A. That would be my understanding, yes.</p> <p>4 Q. And would your group price test the</p> <p>5 prices that were ascribed to each security on</p> <p>6 the day after the acquisition balance sheet?</p> <p>7 A. No. We would price test at the end of</p> <p>8 the month.</p> <p>9 Q. There would be no price test of the</p> <p>10 day after the acquisition; is that correct?</p> <p>11 A. That would be correct.</p> <p>12 (Exhibit 815B, a document bearing</p> <p>13 Bates Nos. PwC-BarCap 45782 through 45787,</p> <p>14 marked for identification, as of this date.)</p> <p>15 Q. Mr. Landreman, you have before you</p> <p>16 what has been marked Deposition Exhibit 815B.</p> <p>17 If you could take a look at the e-mail at the</p> <p>18 bottom of the first page, which is from Mr.</p> <p>19 Teague to yourself, among others. It's dated</p> <p>20 January 28, and it says, "Chris, I put the</p> <p>21 following overview together for PwC, as I will</p> <p>22 be out of the office the remainder of the week.</p> <p>23 Please contact Rich Landreman in my absence."</p> <p>24 Do you see that?</p> <p>25 A. Yes.</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 Q. And then attached, do you see a</p> <p>3 document titled "Lehman Open Balance Sheet,</p> <p>4 Barclays Capital Valuation Methodology"?</p> <p>5 A. Yes.</p> <p>6 Q. Did you assist in the preparation of</p> <p>7 this document?</p> <p>8 A. I don't recall.</p> <p>9 Q. If you'll look at the A(I)(ii),</p> <p>10 illiquid asset category, the third bullet down,</p> <p>11 "Haircut - due to liquidity issues, following</p> <p>12 logic was devised to best capture market price.</p> <p>13 Lehman assets which were sold (auctioned by the</p> <p>14 PMTG) prior to month-end, are considered trades</p> <p>15 and therefore the traded price was applied with</p> <p>16 no haircut. If a security was not auctioned by</p> <p>17 September 30, the PMTG desk was utilized with</p> <p>18 liquidity haircut applied to desk mark to bring</p> <p>19 it to a fair value under the extenuating market</p> <p>20 conditions."</p> <p>21 Do you see that?</p> <p>22 A. I see that.</p> <p>23 Q. Where an internal sale price was used,</p> <p>24 no haircut was applied; is that correct?</p> <p>25 MR. THOMAS: Object to the form.</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 A. Bullet 1, where Lehman assets were</p> <p>3 sold, auctioned, prior to month-end are</p> <p>4 considered trades and therefore trade prices</p> <p>5 applied with no haircut, you know, I would agree</p> <p>6 with that.</p> <p>7 Q. Do you know what happened to any</p> <p>8 assets that were not auctioned to a desk within</p> <p>9 Barclays?</p> <p>10 A. They stayed at PMTG.</p> <p>11 Q. PMTG is a desk within Barclays,</p> <p>12 though, correct?</p> <p>13 A. Correct.</p> <p>14 Q. And are you simply distinguishing</p> <p>15 between PMTG being the original receiver of the</p> <p>16 assets as of the acquisition date and,</p> <p>17 therefore, being the seller of those securities?</p> <p>18 MR. THOMAS: Objection to form.</p> <p>19 A. My understanding was that PMTG took</p> <p>20 all of the assets into a high-level management</p> <p>21 account and then distributed or auctioned off</p> <p>22 all of the assets or moved all of the assets out</p> <p>23 to trading desks, and whatever was left over was</p> <p>24 left in the PMTG business, whether it was at the</p> <p>25 high level at the management or if it was</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman 2 distributed to one of the PMTG trading desks. 3 Q. Do you know if any of those desks to 4 which these securities were auctioned were then 5 being run by former Lehman individuals? 6 A. I was not aware of any Lehman 7 individuals in PMTG. 8 Q. The auction of these securities was to 9 desks beyond PMTG, correct? 10 A. Correct. 11 Q. So the desks purchasing the securities 12 from PMTG would presumably include desks then 13 being run by former Lehman individuals; is that 14 correct? 15 MR. THOMAS: Objection to form. 16 A. I'm not aware of any desks for the 17 products I cover that were being run by former 18 Lehman people. 19 Q. At the point in time of the sale, 20 September 30, there were a number of former 21 Lehman employees that were at that point 22 employed by Barclays; is that correct? 23 A. I believe so, yes. 24 Q. And that would include former Lehman 25 individuals that were on desks in the front</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman 2 office that would be purchasing these securities 3 for their books; is that correct? 4 MR. THOMAS: Objection to form. 5 A. Yes. 6 Q. And those individuals would be 7 familiar with those assets, having had exposure 8 to them while at Lehman; is that correct? 9 MR. THOMAS: Objection to form. 10 Foundation. 11 A. I don't know that. 12 Q. Were former Lehman traders consulted 13 with respect to the valuation of the securities 14 within the internal auction process? 15 MR. THOMAS: Objection to form. 16 A. If there were internal -- if there 17 were Lehman, former Lehman employees involved in 18 the bidding process, they would have been people 19 that were in the flow of businesses, and as I 20 said, those businesses had been managed by 21 Barclays people, but they had brought in some 22 staff from Lehman in certain areas. But the 23 management was always Barclays. 24 Q. But former Lehman people who were 25 responsible for marking positions while they</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman 2 were at Lehman would potentially have been in a 3 position to buy back securities they had priced 4 at X while at Lehman for a lower price at 5 Barclays; is that correct? 6 A. I wouldn't know because I don't know 7 where Lehman had these assets on their books. 8 Q. Mr. Landreman, I have put before you 9 what has been previously marked as Deposition 10 Exhibit 643A. Take a moment to take a look. 11 (Document review.) 12 A. Yes, I see that. 13 Q. And it was your group that had 14 responsibility for valuing the Agency RMBS, 15 correct? 16 A. Correct. 17 Q. And a 10 percent liquidity haircut was 18 applied to Agency RMBS, correct? 19 A. A 10 percent liquidity adjustment was 20 applied towards agency CMOs, not the entire 21 portfolio of Agency RMBS. Only a 1 percent 22 adjustment was applied towards the pools and the 23 pass-throughs. 24 Q. And Deposition Exhibit 643A is a memo 25 from you to PwC dated February 2, 2009, subject</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman 2 line: "RMBS Portfolio Acquired From Lehman - 3 bid/offer Reserve Agency CMOs," correct? 4 A. Correct. 5 Q. And this document provides the 6 methodology by which your team arrived at a 10 7 percent liquidity adjustment for agency CMOs; is 8 that correct? 9 A. That's correct. 10 Q. In your method 1, where did you take 11 your price observations from? 12 A. From the data that we received from 13 the Bank of New York, from our pricing vendors, 14 and also from our own prices that we derive. It 15 was really a dispersion analysis of pricing for 16 the different -- for the various products. 17 Q. And do you know which pricing vendors 18 were used? 19 A. IDC -- or, FTID. 20 Q. Is that the only one? 21 A. We also would have potentially used 22 Street software. Street Analytics, I think it 23 is called. 24 Q. Is that it? 25 A. That would be it.</p>

<p style="text-align: right;">Page 166</p> <p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 Q. And when you said "our prices," what</p> <p>3 did you mean by that?</p> <p>4 A. The values that we derived using our</p> <p>5 internal modeling methodologies for agency CMOs.</p> <p>6 Q. And what was your internal modeling</p> <p>7 methodologies for CMOs, agency CMOs?</p> <p>8 A. We would use an internal OAS model,</p> <p>9 which we would look at observable trades, when</p> <p>10 available, and solve for option-adjusted spreads</p> <p>11 for those specific asset categories and apply</p> <p>12 that towards the portfolio by asset category.</p> <p>13 Q. And what definition of "bid/offer</p> <p>14 spread" are you using within this methodology</p> <p>15 for determining the liquidity adjustment?</p> <p>16 A. I mean, in terms of applying a</p> <p>17 bid/offer, it's -- method 2 was really more of a</p> <p>18 bid/offer analysis where we showed buys and</p> <p>19 sells on the same day. We showed which bonds we</p> <p>20 bought and what we sold, and although it was not</p> <p>21 an instantaneous buy and sell, these types of</p> <p>22 transactions generally tend to be negotiated</p> <p>23 ahead of time. So you would only buy a position</p> <p>24 like this if you had an outlet to distribute it,</p> <p>25 so at least we had the observation that it went</p>	<p style="text-align: right;">Page 167</p> <p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 in and went out at the same day. But again, to</p> <p>3 say that it was instantaneous within the minute,</p> <p>4 I can't prove that.</p> <p>5 In terms of method 1, that was more of</p> <p>6 a price dispersion amongst different points that</p> <p>7 were available, and the largest dispersion</p> <p>8 occurred in the categories where the majority of</p> <p>9 the bonds were concentrated. I think the last</p> <p>10 paragraph where we said that we applied a 10</p> <p>11 percent bid/offer as a proxy, subordinated by</p> <p>12 both methods, 75 percent of the portfolio was</p> <p>13 highly structured IO, PO and Z bonds, and the</p> <p>14 majority of these bonds, you know, this supports</p> <p>15 the use of an average, as the trade sample was</p> <p>16 skewed by the high number of derivative trades</p> <p>17 reflected in the trade sample.</p> <p>18 So the trade sample had high levels of</p> <p>19 derivatives which showed the bid/offer</p> <p>20 adjustment in the 15 to 20 percent range, which,</p> <p>21 again, when we did the original analysis on the</p> <p>22 pricing dispersion, we saw that there was a high</p> <p>23 level of dispersion amongst those derivative</p> <p>24 assets which really comprised the bulk of the</p> <p>25 portfolio.</p>
<p style="text-align: right;">Page 168</p> <p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 Q. Are bid/offer spreads generally</p> <p>3 simultaneous at a particular moment in time?</p> <p>4 MR. THOMAS: Objection to form.</p> <p>5 A. A bid/offer spread in its technical</p> <p>6 sense for a product that trades regularly and</p> <p>7 you have observability would be, you know, as</p> <p>8 close as possible to a buy and sell</p> <p>9 instantaneously. In a market where positions</p> <p>10 are traded randomly or as negotiated sales were</p> <p>11 a buy and a sell will occur on the same day,</p> <p>12 it's considered that these bid/offer spreads</p> <p>13 would be indicative of a true, you know, almost</p> <p>14 what a bid/offer should be.</p> <p>15 But there's lots of -- in terms of</p> <p>16 bid/offer spread on the agency CMO world, it's</p> <p>17 less clear than, say, the Treasuries or agency</p> <p>18 debentures, where there's more trading activity</p> <p>19 and more observability.</p> <p>20 Q. Were these actual trading prices?</p> <p>21 A. The spreadsheet that we provided you</p> <p>22 were actual trades with the trade date and the</p> <p>23 amount of the trade.</p> <p>24 Q. So they're actual trades as opposed to</p> <p>25 price indications?</p>	<p style="text-align: right;">Page 169</p> <p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 A. Correct.</p> <p>3 Q. Okay. And how was the sample size of</p> <p>4 39 agencies CMO bonds assembled?</p> <p>5 A. For the timeframe that we selected,</p> <p>6 these were all the trades where we had buys and</p> <p>7 sells on the same date.</p> <p>8 Q. Is there a point at which the sample</p> <p>9 size would not have been adequate in order to</p> <p>10 derive a liquidity adjustment from the available</p> <p>11 actual trades?</p> <p>12 MR. THOMAS: Objection to form.</p> <p>13 A. Again, this analysis was a secondary</p> <p>14 analysis to support the concept of a liquidity</p> <p>15 adjustment based upon the observability of</p> <p>16 pricing dispersion, in addition to, you know, a</p> <p>17 sample of bid/offer spreads at this time in the</p> <p>18 market. It was, in our opinion, although the</p> <p>19 data may have been limited, it was the best</p> <p>20 available data at the time.</p> <p>21 Q. In using this benchmark portfolio in</p> <p>22 method 2, did you take into consideration</p> <p>23 whether the positions within it were inverse IOs</p> <p>24 as opposed to other types of agency CMOs?</p> <p>25 A. We put the collateral or the structure</p>

<p style="text-align: right;">Page 170</p> <p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 type in here to demonstrate these were inverse</p> <p>3 IOs in many cases. There was also some general</p> <p>4 IOs off of structured collateral.</p> <p>5 Again, we presented the data that we</p> <p>6 had at the time. In absence of other data, we</p> <p>7 felt this was a reasonable means to help</p> <p>8 demonstrate as a secondary source the adjustment</p> <p>9 for pricing.</p> <p>10 Q. Would you agree that inverse IOs have</p> <p>11 a higher bid/offer spread than other agency</p> <p>12 CMOs?</p> <p>13 A. Yes.</p> <p>14 Q. And the benchmark portfolio is</p> <p>15 comprised of roughly 50 percent inverse IOs; is</p> <p>16 that correct?</p> <p>17 A. Correct.</p> <p>18 Q. And the agency CMO positions that</p> <p>19 transferred from Lehman to Barclays were only 13</p> <p>20 percent of the CMO portfolio, correct?</p> <p>21 A. I'm sorry, can you repeat that?</p> <p>22 Q. The percentage of inverse IOs</p> <p>23 comprising the agency CMOs that transferred from</p> <p>24 Lehman to Barclays was much less than 50</p> <p>25 percent, correct?</p>	<p style="text-align: right;">Page 171</p> <p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 A. The derivative portion of the agency</p> <p>3 IOs or inverse IOs that came to us were</p> <p>4 significantly different in the fact that they</p> <p>5 were actually much worse than an inverse IO.</p> <p>6 They were IOs created off of structured packs,</p> <p>7 tax, things that were materially worse.</p> <p>8 Q. But as a percentage of the total</p> <p>9 agency CMOs that were transferred from Lehman to</p> <p>10 Barclays, the majority of them were not -- or</p> <p>11 were better than an inverse IO, correct?</p> <p>12 A. No, they were not better than an</p> <p>13 inverse IOs. They were IOs created off of</p> <p>14 seasoned structured collateral that, in many</p> <p>15 cases, you know, the derivative nature of the</p> <p>16 bond made it even less appealing than an inverse</p> <p>17 IO.</p> <p>18 Q. With respect to the approach that</p> <p>19 Barclays used and the pricing framework that</p> <p>20 they used to value the agency CMOs, what was the</p> <p>21 underlying option adjusted spread assumption</p> <p>22 used to generate market values?</p> <p>23 A. I don't understand that question.</p> <p>24 Q. What assumptions were used in the</p> <p>25 model, in the OAS model, that you described?</p>
<p style="text-align: right;">Page 172</p> <p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 A. OAS model would use the BlackRock</p> <p>3 multi-factor prepayment models, which we had</p> <p>4 licensed and were using as part of our regular</p> <p>5 valuation process. It was a multi-dimensional,</p> <p>6 multi-factor econometric prepayment model that</p> <p>7 is regularly used in the industry. It is</p> <p>8 considered one of the superior models on the</p> <p>9 street.</p> <p>10 And in terms of the spread assumptions</p> <p>11 that we would use, we would calibrate spreads</p> <p>12 that we would use as seeds to price the bonds</p> <p>13 based upon our observed trading data from our</p> <p>14 own portfolio and our own pass-throughs or our</p> <p>15 own desk.</p> <p>16 Q. And did you compare the spreads with</p> <p>17 OAS for comparable collateral published daily by</p> <p>18 leading Wall Street firms?</p> <p>19 A. That would actually -- you would need</p> <p>20 to make sure that you're using the exact same</p> <p>21 model that any Wall Street firm would be</p> <p>22 publishing. So, generally, they would be</p> <p>23 publishing their spread data off of a</p> <p>24 calibration to yield book, and most of the data</p> <p>25 that's being published is being published on the</p>	<p style="text-align: right;">Page 173</p> <p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 more vanilla structures, like pass-throughs and</p> <p>3 maybe even TBAs, but in terms of the POs and the</p> <p>4 derivative structures that we were receiving,</p> <p>5 the IO and the PO benchmarks that are being</p> <p>6 published for trust IOs and POs were not</p> <p>7 comparable to the assets that we received that</p> <p>8 were IOs.</p> <p>9 We received highly structured</p> <p>10 derivative IOs that were not trust IOs. And the</p> <p>11 same with the POs. The POs were structured off</p> <p>12 of different classes of collateral that were not</p> <p>13 comparable to trust POs.</p> <p>14 Q. What prepayment speeds did the model</p> <p>15 generate?</p> <p>16 A. The model would generate prepayment</p> <p>17 speeds that were specific to the underlying</p> <p>18 collateral, so you would need to look at it</p> <p>19 bond-by-bond and determine which -- what the</p> <p>20 vector was and the average speed would have been</p> <p>21 for that specific bond.</p> <p>22 Q. And is there a file that contains all</p> <p>23 of the inputs bond-by-bond?</p> <p>24 A. There should be. Should have been</p> <p>25 provided to PwC and it should have been provided</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman 2 as part of the analysis. 3 MS. CARRERO: We'll take a look to see 4 whether that has been, but if not, we would 5 ask that that sort of information be 6 provided. 7 MR. THOMAS: Why don't you shoot us an 8 e-mail. 9 MS. CARRERO: That's fine. We can 10 discuss after. 11 Q. What was the source of discount rates 12 used to discount cash flows? 13 A. For which products? 14 Q. Still related to the agency CMOs 15 and -- 16 A. That's what the option adjusted spread 17 would be. 18 Q. And were these rates risk-free or did 19 think involve a measure of risk premium? 20 A. Explain what you mean, please. 21 Q. I'm unable to do that, so if that 22 term -- do you not -- are those not terms that 23 you're familiar with, "risk-free"? 24 A. I'm familiar with "risk-free." It's 25 just a context of the question being asked. You</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman 2 know, it's not clear. 3 Q. The inputs that were being inserted 4 into this model, were these rates, I mean, were 5 the discount rates that were inputs into the 6 model, were they risk-free, or did they involve 7 a measure of risk premium? 8 MR. THOMAS: Objection to form. 9 A. For the agency mortgage-backed 10 securities, the spreads would be based upon our 11 observable trade data, so that would imply some 12 level of a risk premium to that. 13 Q. How many interest rate paths were 14 used? 15 A. 256. 16 Q. Are you aware of any other firms that 17 use a static interest rate assumption for 18 mortgage analytics? 19 A. We don't. 20 Q. And what would be your definition of a 21 static interest rate assumption that -- 22 A. A single path. 23 Q. And a single path is not what your 24 model is; is that what you're saying? 25 A. Correct.</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman 2 Q. And if not a single path, what is it? 3 A. We ran 256 paths. 4 Q. If you could turn back to 643A. Were 5 any of the trades used in method 2 in the 6 benchmark portfolio trades between interested 7 parties? 8 A. I'm sorry? 9 Q. Were they trades between Lehman and 10 Barclays, for instance? 11 MR. THOMAS: Objection to form. 12 A. I don't know that. 13 Q. Are they interdealer trades? 14 A. I would have to look at the detail of 15 the trade data who the counterparty was. 16 Q. Do you know if the trades were 17 brokered? 18 A. Again, I would need to see who the 19 counterparty was. 20 Q. Is there a file that would have that 21 information of who the counterparties are to 22 these trades in the benchmark portfolio? 23 A. That would be, yes. 24 (Exhibit 816B, a document bearing 25 Bates Nos. PwC-BarCap 48233 through 48236,</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman 2 marked for identification, as of this date.) 3 Q. Mr. Landreman, you have before you 4 what has been marked as Deposition Exhibit 816B. 5 A. Yes. 6 Q. Have you had a chance to review the 7 document? 8 A. Not yet. 9 Q. Let me actually shortcut this and turn 10 you to the third page -- I'm sorry, second page, 11 an e-mail from you to PwC dated February 3. 12 A. Uh-huh. 13 Q. If you would just -- and it's 14 questions on -- it's titled "Questions on 15 Barclays CMBS." If you could just take a second 16 to read that e-mail? 17 A. This piece I read. 18 Q. For CUSIP 589929PT9? 19 A. Uh-huh. 20 Q. In your attempt to justify a price of 21 \$5.52, part of your explanation involves the 22 fact that the CUSIP paid off in December 2008, 23 correct? 24 A. I need to check and see if it was paid 25 off or if that was a loss allocated to wipe the</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 bond out.</p> <p>3 Q. But you wrote here "paid off,"</p> <p>4 correct?</p> <p>5 A. The principal was gone, yes.</p> <p>6 Q. And so the price of \$5.52 indicates</p> <p>7 that one would not expect any principal to be</p> <p>8 received on the bond in the future; is that</p> <p>9 correct?</p> <p>10 MR. THOMAS: Objection to form.</p> <p>11 And if you, despite the late hour, if</p> <p>12 you need to review more of the document to</p> <p>13 answer these questions, you're welcome to.</p> <p>14 A. I don't remember this specific bond,</p> <p>15 but I would need to see the working papers as</p> <p>16 to, you know, what was the notional as of the</p> <p>17 day we priced it versus if we received any</p> <p>18 principal or how much was there.</p> <p>19 So we had a price of \$5.52, and when</p> <p>20 they questioned it as of December, there was no</p> <p>21 nominal left. So there was no reason to have a</p> <p>22 discussion around the price of a bond that</p> <p>23 doesn't exist.</p> <p>24 Q. So a \$5.52 price could still be</p> <p>25 reasonable even if that security had not taken a</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 principal write-down in the previous nine years</p> <p>3 leading up to the valuation date?</p> <p>4 A. That is a reasonable price, yes. That</p> <p>5 could be an interest-only security. I don't</p> <p>6 know. I would have to look at the specific bond</p> <p>7 to see what it is.</p> <p>8 Q. Even if it were not an interest-only</p> <p>9 security, the fact that it didn't take a</p> <p>10 principal write-down at all would still warrant</p> <p>11 a write-down potentially; is that what you're</p> <p>12 saying?</p> <p>13 MR. THOMAS: Objection to form.</p> <p>14 A. A price of 5 on a bond that has not</p> <p>15 received a principal write-down yet is -- could</p> <p>16 still be a rational price.</p> <p>17 Q. And then, under --</p> <p>18 A. But again --</p> <p>19 Q. No, I understand. If they -- and we</p> <p>20 can speak hypothetically as opposed to the</p> <p>21 specific CUSIP if you're more comfortable with</p> <p>22 that, but under what circumstances would a</p> <p>23 write-down of this nature be warranted where</p> <p>24 there have been no principal write-downs in nine</p> <p>25 years and if not an interest-only?</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 MR. THOMAS: I'm not sure the</p> <p>3 witness -- I'm not sure this is relevant,</p> <p>4 but I know the witness didn't have a chance</p> <p>5 to finish reading the e-mail chain. If you</p> <p>6 would allow the witness to finish reading</p> <p>7 it.</p> <p>8 MS. CARRERO: I'm happy to allow the</p> <p>9 witness to read it.</p> <p>10 MR. THOMAS: The information that he</p> <p>11 didn't get through in the e-mail chain, I</p> <p>12 don't know if it's relevant or not, but</p> <p>13 might as well look at it.</p> <p>14 MS. CARRERO: That's fine.</p> <p>15 (Document review.)</p> <p>16 A. Okay. There's no additional</p> <p>17 information in this that would really help this</p> <p>18 conversation.</p> <p>19 Q. I'm trying to get an understanding for</p> <p>20 where a write-down would be appropriate where</p> <p>21 there have been no principal write-downs in the</p> <p>22 past and it's not an interest-only. What other</p> <p>23 factors would be relevant in marking it down to</p> <p>24 such a conservative level?</p> <p>25 A. You don't know whether a price of 5 is</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 conservative because you don't know what the</p> <p>3 bond is, and a write-down is a meaningless term</p> <p>4 unless you know what the bond was originally</p> <p>5 marked at.</p> <p>6 Q. I mean, I'm taking the term</p> <p>7 "conservative" from PwC's questioning about it.</p> <p>8 A. They're saying my price is low, but</p> <p>9 they don't know -- well, first of all, there's</p> <p>10 no nominal on the bond as of the pricing date,</p> <p>11 so it's irrelevant, and unless we saw the</p> <p>12 nominal and the bond itself, making any</p> <p>13 speculation as to what the price of \$5.52 means,</p> <p>14 again, is highly speculative.</p> <p>15 Q. CMBS securities would fall underneath</p> <p>16 the PMTG category of securities, correct?</p> <p>17 A. We have a secondary CMBS trading desk</p> <p>18 that's managed under Tom Hamilton's securitized</p> <p>19 products world, and any securities which they</p> <p>20 would not take would have stayed within PMTG.</p> <p>21 Q. And do you know whether or not</p> <p>22 internal sales prices were the primary prices</p> <p>23 used for purposes of Barclays' acquisition</p> <p>24 accounting for CMBS securities?</p> <p>25 A. I would have to go back and check on</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 that. I don't recall that.</p> <p>3 Q. If I were to represent to you that a</p> <p>4 significant number of CMBS securities acquired</p> <p>5 were valued at the internal sales price, would</p> <p>6 that surprise you?</p> <p>7 MR. THOMAS: Objection to form.</p> <p>8 A. No, it would not.</p> <p>9 Q. And similar to your earlier testimony,</p> <p>10 for CMBS securities, does the same apply where</p> <p>11 PT undertook valuation as of the acquisition</p> <p>12 date separate from the internal sale price</p> <p>13 ultimately recorded for acquisition accounting</p> <p>14 purposes?</p> <p>15 A. We would have performed a similar</p> <p>16 process where we valued our securities and</p> <p>17 compared our values to BoNY prices, any vendor</p> <p>18 prices, and if we were to receive a trader mark</p> <p>19 or a trade price, we would have compared our</p> <p>20 prices to that at different points in time</p> <p>21 during the analysis.</p> <p>22 Q. And at different points in time, you</p> <p>23 mean during your ordinary course price testing</p> <p>24 at the end of the month, September 30; is that</p> <p>25 correct?</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 A. Correct.</p> <p>3 Q. But that price testing would not</p> <p>4 necessarily affect the acquisition accounting</p> <p>5 price that was ultimately used, is that correct?</p> <p>6 MR. THOMAS: Objection to form.</p> <p>7 A. It depends upon the variance itself</p> <p>8 and the dialogue that was around the price, if</p> <p>9 there was a large discrepancy.</p> <p>10 Q. Internal sales prices, would they</p> <p>11 normally be used as a fair value mark for a</p> <p>12 security?</p> <p>13 MR. THOMAS: Objection to form.</p> <p>14 A. If the prices were reviewed and</p> <p>15 determined to be fair value, yes.</p> <p>16 Q. Those trades wouldn't constitute an</p> <p>17 arm's length transaction, though, would they?</p> <p>18 MR. THOMAS: Objection to form.</p> <p>19 A. Depends who the trades were between.</p> <p>20 Q. If the trade is between two desks</p> <p>21 within Barclays, is that an arm's length</p> <p>22 transaction?</p> <p>23 MR. THOMAS: Objection to form.</p> <p>24 A. It depends if they're part of the same</p> <p>25 business or if it's the proprietary trading desk</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 or another business function that is not related</p> <p>3 to the flow trading desk.</p> <p>4 Q. Did you or your group have any</p> <p>5 involvement in pricing the Giants Stadium Bonds</p> <p>6 that were acquired through the Lehman</p> <p>7 transaction?</p> <p>8 A. That was not priced in my group.</p> <p>9 Q. And do you know whose group did</p> <p>10 undertake primary responsibility for valuing the</p> <p>11 Giants Stadium Bonds?</p> <p>12 A. That work was performed primarily in</p> <p>13 Sean's world under Corporate Credit.</p> <p>14 Q. And do you know if there was front</p> <p>15 office involvement in the pricing of the Giants</p> <p>16 Stadium Bonds as well?</p> <p>17 A. I don't have personal knowledge of</p> <p>18 that.</p> <p>19 Q. If you were to guess who else might</p> <p>20 have been involved in the pricing of Giants</p> <p>21 Stadium Bonds, what would be your best guess?</p> <p>22 A. Based upon my understanding of the</p> <p>23 complexity of that structure and the lack of</p> <p>24 data and the type of securities that were</p> <p>25 involved, the desk would have been involved in</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 that.</p> <p>3 Q. And what desk would that be?</p> <p>4 A. Would have been the PMTG desk.</p> <p>5 Q. And that at the time would have been</p> <p>6 run by Stephen King; is that correct?</p> <p>7 A. Yes.</p> <p>8 Q. Mr. Landreman, I have handed you what</p> <p>9 has been previously marked as Deposition Exhibit</p> <p>10 533A. If you take a moment to take a look at</p> <p>11 that.</p> <p>12 A. Okay.</p> <p>13 Q. Have you seen this document before?</p> <p>14 A. No.</p> <p>15 Q. Can you take a look at the second</p> <p>16 page, where it says "PMTG \$7.2 billion," do you</p> <p>17 see that?</p> <p>18 A. Okay.</p> <p>19 Q. Do you know whether a process was</p> <p>20 undertaken to ascertain what gains Barclays</p> <p>21 realized on PMTG assets it had acquired from</p> <p>22 Lehman as of December 31?</p> <p>23 A. I'm not aware of that.</p> <p>24 Q. Would that have involved you or your</p> <p>25 group?</p>

<p style="text-align: right;">Page 186</p> <p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 A. As of December 31, we would have price</p> <p>3 tested the portfolio, and the line controllers</p> <p>4 would have had to have performed any accounting</p> <p>5 reconciliation for P&L that was incurred during</p> <p>6 the quarter because there's a number of factors</p> <p>7 that would contribute to a P&L number that are</p> <p>8 not specific to marked to market accounting.</p> <p>9 Q. And is the price testing that's done</p> <p>10 at your end any different than the monthly price</p> <p>11 testing?</p> <p>12 A. It would be the same process.</p> <p>13 Q. And would it be the controllers that</p> <p>14 would be the ones to monitor any hedging</p> <p>15 activities with respect to the assets acquired</p> <p>16 in the Lehman transaction?</p> <p>17 A. What do you mean, "monitoring the</p> <p>18 hedging activity"?</p> <p>19 Q. In connection with the controller's</p> <p>20 function of recording P&L, would that process</p> <p>21 involve any hedges that were placed on any of</p> <p>22 the acquired securities?</p> <p>23 A. I'm not a line controller, so my</p> <p>24 understanding is that they will perform a P&L on</p> <p>25 all of the books that are comprised of a</p>	<p style="text-align: right;">Page 187</p> <p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 business, and some of those books may contain</p> <p>3 hedges.</p> <p>4 Q. In valuing any of the securities that</p> <p>5 were transferred over from Lehman, did you or</p> <p>6 your group take into consideration whether any</p> <p>7 of the positions were hedged in your valuation?</p> <p>8 A. For my portfolios, the hedges would be</p> <p>9 irrelevant and they would be valued</p> <p>10 independently. The cash positions are valued</p> <p>11 independently and the hedges would be valued</p> <p>12 independently.</p> <p>13 MS. CARRERO: You want to take a</p> <p>14 five-minute break?</p> <p>15 MR. THOMAS: Sure.</p> <p>16 (Recess; Time Noted: 4:35 P.M.)</p> <p>17 (Time Noted: 4:43 P.M.)</p> <p>18 BY MS. CARRERO:</p> <p>19 Q. Mr. Landreman, do you know who</p> <p>20 Professor Paul Pfleiderer is?</p> <p>21 A. I have heard the name.</p> <p>22 Q. Have you -- let me first ask, are you</p> <p>23 aware that Barclays has retained him as an</p> <p>24 expert in this matter?</p> <p>25 A. Yes, I am.</p>
<p style="text-align: right;">Page 188</p> <p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 Q. And have you had any meetings or</p> <p>3 conversations with him?</p> <p>4 A. I don't recall. I've had numerous</p> <p>5 conference calls with people.</p> <p>6 Q. So I guess there's no point in asking</p> <p>7 how long the meeting was.</p> <p>8 Are you aware of other people within</p> <p>9 price testing that have met or communicated with</p> <p>10 Professor Pfleiderer?</p> <p>11 A. I don't know that they have met or</p> <p>12 communicated with Professor Pfleiderer, but I</p> <p>13 have been in conference calls with my colleagues</p> <p>14 who have been on the phone with lawyers and he</p> <p>15 may have been in the calls, but I don't know. I</p> <p>16 don't recall.</p> <p>17 Q. Did you or any of your staff provide</p> <p>18 documents to Professor Pfleiderer?</p> <p>19 A. I'm not aware of providing him with</p> <p>20 anything directly. Anything that I would have</p> <p>21 provided to PwC or to the lawyers, you know, I</p> <p>22 don't know if he was a recipient of that</p> <p>23 information directly from us.</p> <p>24 Q. Did you have any meetings or</p> <p>25 conversations with any of Professor Pfleiderer's</p>	<p style="text-align: right;">Page 189</p> <p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 staff?</p> <p>3 A. I think I did. I don't know who they</p> <p>4 were or the context of those calls.</p> <p>5 Q. And --</p> <p>6 A. I don't recall the calls themselves.</p> <p>7 Q. And when would these calls have taken</p> <p>8 place?</p> <p>9 A. Anytime in the last year. I'm not</p> <p>10 sure when he was contracted or, you know, I'm</p> <p>11 regularly on the phone with the lawyers and the</p> <p>12 auditors for various reasons.</p> <p>13 Q. With respect to PwC's audit, how does</p> <p>14 the price testing that they undertook differ</p> <p>15 from that which your group undertook?</p> <p>16 A. My understanding of the PwC pricing</p> <p>17 review process is a detailed examination of the</p> <p>18 policies and procedures, the control points that</p> <p>19 we claim we execute. So they will go through</p> <p>20 and replicate what we say we do and then confirm</p> <p>21 that we actually do what we say we're doing.</p> <p>22 So they go very in detailed and they</p> <p>23 test a spread matrix application and ask us why</p> <p>24 this bond didn't, you know, did or did not get</p> <p>25 applied a spread that we said it would have, and</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 then we explain why and then they look at that</p> <p>3 and then they -- they review all of our data, in</p> <p>4 addition to performing their own pricing, which</p> <p>5 is all done internally at on their site, which</p> <p>6 they don't share that with us. And then they</p> <p>7 come back with their opinions and any questions</p> <p>8 they have around the results themselves and also</p> <p>9 the process.</p> <p>10 So they do look in detail at the</p> <p>11 process that we perform and review that process</p> <p>12 in addition to the actual values and results.</p> <p>13 Q. So would it be accurate to say that</p> <p>14 they do not undertake independent valuation of</p> <p>15 any of the securities at the price testing?</p> <p>16 A. I didn't say that. They do perform an</p> <p>17 independent test in their -- internally on their</p> <p>18 own site and then produce that analysis, which</p> <p>19 they do not share with us. So they don't tell</p> <p>20 us their values. They just tell us if they</p> <p>21 believe our values are reasonable.</p> <p>22 Q. Do they model securities themselves?</p> <p>23 A. They have that capability.</p> <p>24 Q. Do you know if that ordinarily is part</p> <p>25 of the price testing that they undertake?</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 MR. THOMAS: Objection to form.</p> <p>3 A. As I said, they don't share any</p> <p>4 results with us of their analyses. So they do</p> <p>5 have people who I know ask about the assumptions</p> <p>6 and claim to model, but they don't show me the</p> <p>7 results of their model and they don't show me</p> <p>8 the detail of their work.</p> <p>9 Q. So you don't know whether they do or</p> <p>10 they don't model securities; is that correct?</p> <p>11 A. I know they have the capacity to model</p> <p>12 securities. I cannot tell you that I -- for</p> <p>13 certain that they modeled our pricing because</p> <p>14 they don't show me those results.</p> <p>15 Q. And do you know whether Professor</p> <p>16 Pfleiderer or his staff who were retained by</p> <p>17 Barclays, whether they have independently sought</p> <p>18 prices and modeled the securities?</p> <p>19 A. I don't know what Professor Pfleiderer</p> <p>20 was tasked to perform.</p> <p>21 Q. And have you been shown his report and</p> <p>22 had an opportunity to read it?</p> <p>23 A. I have read his report, yes.</p> <p>24 Q. And was that prior to the serving of</p> <p>25 his report or was that in connection with your</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 deposition today?</p> <p>3 MR. THOMAS: Objection to form.</p> <p>4 A. I don't know when his report was</p> <p>5 served, so I couldn't tell you if it was before</p> <p>6 it was being served. I know that it was within</p> <p>7 the last, you know, couple months that I have</p> <p>8 seen his report in conjunction with other</p> <p>9 reports related to this case.</p> <p>10 Q. Were you asked to comment on his</p> <p>11 report and provide comments or edits in the</p> <p>12 finalization process?</p> <p>13 MR. THOMAS: Well, I mean, you're</p> <p>14 excluding conversations with lawyers, right?</p> <p>15 I mean, if the attorneys had conversations</p> <p>16 with you about any subject relating to</p> <p>17 providing the legal advice for this case,</p> <p>18 then that's going to be privileged.</p> <p>19 MS. CARRERO: Well, I guess we don't</p> <p>20 need to get there.</p> <p>21 Q. I'm trying to understand whether you</p> <p>22 had it in front of you and had the opportunity</p> <p>23 to comment on it.</p> <p>24 MR. THOMAS: Well, he said he reviewed</p> <p>25 it. So, I mean --</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 Q. Within the last -- I'm trying to</p> <p>3 understand, did he review it after the report</p> <p>4 was final or did you review it and were part of</p> <p>5 the editing process of it.</p> <p>6 MR. THOMAS: I think that's been asked</p> <p>7 and answered.</p> <p>8 A. I don't recall being part of the</p> <p>9 editing process of his work papers.</p> <p>10 MS. CARRERO: I think that's it. If</p> <p>11 you want to take five minutes.</p> <p>12 MR. THOMAS: I'm ready to go. I just</p> <p>13 have a few questions.</p> <p>14 MS. CARRERO: Does anyone else have</p> <p>15 questions?</p> <p>16 MR. McCoubrey: No questions.</p> <p>17 MR. DAKIS: I just have one follow-up</p> <p>18 question.</p> <p>19 EXAMINATION BY</p> <p>20 MR. DAKIS:</p> <p>21 Q. Robert Dakis from Quinn Emanuel for</p> <p>22 the Official Committee of Unsecured Creditors.</p> <p>23 During the last line of questioning,</p> <p>24 you were asked if you saw Professor Pfleiderer's</p> <p>25 report, and you testified that you reviewed it</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman 2 in connection with reviewing a number other 3 reports related to this case; is that correct? 4 A. Correct. 5 Q. Can you tell us if you remember what 6 the other reports you reviewed are? 7 A. I mean, I was asked to respond to some 8 of the -- 9 MR. THOMAS: Well, if you're going to 10 go into conversations with attorneys, 11 counsel, in-house or outside counsel, then 12 I'm going to instruct you not to answer. 13 THE WITNESS: Okay. 14 MR. THOMAS: So let's exclude any 15 conversations with lawyers. 16 Q. I'm not trying to get at conversations 17 that you had with counsel. I guess let's start 18 with a yes or no. Do you recall specifically 19 which other reports you reviewed? 20 A. I think there were some follow-up 21 questions in terms of -- 22 MR. THOMAS: Don't get into the 23 substance of -- just answer his question, 24 which is, if you recall, if you can recall a 25 name of another report that you read, you</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman 2 can answer that question. 3 A. I mean, I can't recall the reports 4 that I read, the name of the reports I could 5 identify that specifically. 6 Q. We just ask one other follow-up. And 7 again, this is a yes or no question and I'm not 8 trying to get at the substance of any 9 conversations you had with counsel. 10 Do you know whether the reports that 11 you reviewed were prepared by experts for the 12 movants in this case, or were these reports 13 prepared by experts for Barclays? 14 A. I think there -- the testimony of the 15 movants, of the expert witness. 16 Q. Of the movants, correct? 17 A. Yes. 18 MR. DAKIS: Nothing further. Thank 19 you. 20 MS. CARRERO: Thank you. 21 MR. THOMAS: I've got a few questions. 22 EXAMINATION BY 23 MR. THOMAS: 24 Q. Mr. Landreman, you were asked about 25 Barclays' use of internal sales prices in</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman 2 certain circumstances. Does Barclays take any 3 steps to ensure the reasonableness of internal 4 sales pricing? 5 A. A bond that goes through the price 6 testing process would be valued independently of 7 knowing what the sales price was. We would then 8 compare that sales price to see if that price is 9 reasonable based upon our understanding of the 10 bond, and if there's a material difference 11 between the value that we derive and the value 12 that it was traded at, we would go back to the 13 trader and require that they document their 14 assumptions as to how they rationalized that 15 price. 16 Q. So are they tested in a similar manner 17 as to other prices? 18 A. Yes, they are. 19 Q. For the Lehman positions that you 20 valued, you were asked something about bulk 21 discounts. 22 Did you reduce any values for the 23 Lehman positions you valued to reflect the large 24 size of a position? 25 A. No, we did not.</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman 2 Q. Mr. Landreman, you understand that 3 your testimony today is part of a court 4 proceeding and may be considered by the Court; 5 is that correct? 6 A. Correct. 7 Q. Were you asked to value a portion of 8 the assets Barclays received from Lehman 9 pursuant to the CL transaction between Lehman 10 and Barclays in September 2008? 11 A. Yes. 12 Q. Would you describe the group of assets 13 that you were asked to value? 14 A. I was asked to value the agency 15 mortgage-backed securities, the agency CMOs, the 16 non-Agency RMBS collateral, which would include 17 Alt As, sub-prime, in addition to credit cards, 18 student loans, auto loans, and other securitized 19 products, including some CDOs and CLOs. 20 Q. What was the goal of your valuation 21 effort? 22 A. To provide a fair value for the 23 portfolio. 24 Q. And was the direction given to you 25 from Barclays to state a fair value for those</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 assets?</p> <p>3 A. Yes.</p> <p>4 Q. And was that the direction that you</p> <p>5 gave to members of your team that worked on the</p> <p>6 valuation?</p> <p>7 A. Yes, it was.</p> <p>8 Q. Did you at all times during your work</p> <p>9 attempt to fairly and reasonably value the</p> <p>10 assets?</p> <p>11 A. Yes, we did.</p> <p>12 Q. At any time did anyone ever suggest to</p> <p>13 you that you should do anything other than</p> <p>14 attempt to calculate an appropriate fair value</p> <p>15 of the assets?</p> <p>16 A. No.</p> <p>17 Q. Did anyone ever say to you, in form or</p> <p>18 substance, that a result other than the fair</p> <p>19 value of the assets was desired or should be</p> <p>20 achieved?</p> <p>21 A. No.</p> <p>22 Q. Did anyone ever indicate to you or, to</p> <p>23 your knowledge, anyone else working on the</p> <p>24 valuation of the Lehman assets that you should</p> <p>25 attempt to understate the fair value of the</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 assets in any way or to value them lower than</p> <p>3 you otherwise would?</p> <p>4 A. No.</p> <p>5 Q. Would you please describe your</p> <p>6 professional background and experience with</p> <p>7 respect to valuing such assets?</p> <p>8 A. I've been valuing securities in a</p> <p>9 professional form since approximately 1996. I</p> <p>10 started with the Federal Home Loan Bank of New</p> <p>11 York. I was a secondary marketing analyst for</p> <p>12 the securities that were pledged to the Federal</p> <p>13 Home Loan Bank of New York for their</p> <p>14 advancements program to their member banks.</p> <p>15 I worked for consulting firms,</p> <p>16 including the Mortgage Industry Advisory</p> <p>17 Corporation, doing mortgage servicing valuation,</p> <p>18 home loan mortgage valuation, risk analytics and</p> <p>19 hedging analytics for mortgage originators,</p> <p>20 mortgage servicers.</p> <p>21 I have also worked in a National</p> <p>22 Securities Pricing Center for Deloitte & Touche.</p> <p>23 I have managed the RMBS price testing functions</p> <p>24 within Deloitte's National Securities Pricing</p> <p>25 Center reviewing all, several -- all of</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 Deloitte's clients' RMBS assets for audit</p> <p>3 purposes.</p> <p>4 I was part of the implementation team</p> <p>5 that was tasked with implementing a valuation</p> <p>6 control process at Freddie Mac seven years ago</p> <p>7 as part of their accounting and audit</p> <p>8 restatement. That task included over a trillion</p> <p>9 dollars of assets.</p> <p>10 I've been with Barclays for over six</p> <p>11 years now. I have built this department from</p> <p>12 scratch. We've been audited and reviewed by</p> <p>13 every regulator in the country and in the UK.</p> <p>14 We are regularly audited by PwC. We are</p> <p>15 active -- you know, we are constantly having</p> <p>16 dialogue with our peers in the industry, our</p> <p>17 competitors.</p> <p>18 We have full transparency to the</p> <p>19 trading desks within our firm. We see what's</p> <p>20 happening on a daily basis, and we believe that</p> <p>21 our processes and procedures that we have</p> <p>22 implemented are industry best practices and are</p> <p>23 consistent with what our view is is that</p> <p>24 provides fair value that allow the investors of</p> <p>25 Barclays Capital to have comfort that the</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 balance sheet assets that are being reported for</p> <p>3 financial disclosure purposes are reasonable and</p> <p>4 accurate.</p> <p>5 Q. Do you believe the valuation you</p> <p>6 ultimately reached for the Lehman assets that</p> <p>7 you valued reflects their fair value as of</p> <p>8 September 22, 2008?</p> <p>9 A. Yes, we do.</p> <p>10 Q. Did you attempt to value the Lehman</p> <p>11 assets in a manner consistent with Barclays'</p> <p>12 practices and policies?</p> <p>13 A. Yes.</p> <p>14 Q. Did you interact with PwC during the</p> <p>15 review of their valuation you performed?</p> <p>16 A. Yes.</p> <p>17 Q. Would you please describe that</p> <p>18 interaction and their efforts with respect to</p> <p>19 the valuation?</p> <p>20 A. PwC was already very familiar with our</p> <p>21 policies and our procedures and how we price</p> <p>22 tested bonds. They came in and did a full</p> <p>23 detailed review of the opening balance sheet and</p> <p>24 the assets on the balance sheet.</p> <p>25 They did a full review of the</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 processes and the controls around how we</p> <p>3 implement our policies or our price testing</p> <p>4 processes. They asked very detailed questions.</p> <p>5 They went through this entire analysis with</p> <p>6 very -- with high levels of scrutiny.</p> <p>7 They sent out a large team to review</p> <p>8 different asset categories. They brought in</p> <p>9 subject matter experts who were very</p> <p>10 knowledgeable in the asset classes that were</p> <p>11 presented to us, and they followed up and</p> <p>12 produced high levels of documentation and</p> <p>13 questioned everything that we did.</p> <p>14 Q. Did this work by PwC in reviewing</p> <p>15 Barclays' valuation of these assets continue for</p> <p>16 a period of months?</p> <p>17 A. For the opening balance sheet, they</p> <p>18 produced their report on the date that was</p> <p>19 presented for the opening balance sheet for the</p> <p>20 financial release, and whatever date that was is</p> <p>21 when they completed their analysis.</p> <p>22 Q. And had their work with respect to the</p> <p>23 valuation of these assets been ongoing for</p> <p>24 months prior?</p> <p>25 A. I guess they have been in my</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 department reviewing my policies and procedures</p> <p>3 every -- every quarter, and they're very</p> <p>4 familiar with our practices and what we do. So,</p> <p>5 in terms of the extra work that was performed</p> <p>6 here, it was definitely a deep dive into this</p> <p>7 portfolio.</p> <p>8 Q. And is it your understanding that at</p> <p>9 the end of all this work by PwC, that they</p> <p>10 accepted Barclays' valuation of these assets?</p> <p>11 A. Correct.</p> <p>12 MR. THOMAS: Thank you. I have</p> <p>13 nothing further.</p> <p>14 MS. CARRERO: A couple of follow-up</p> <p>15 questions. I'll be brief.</p> <p>16 FURTHER EXAMINATION BY</p> <p>17 MS. CARRERO:</p> <p>18 Q. I believe in response to one of Mr.</p> <p>19 Thomas' questions you stated that there was no</p> <p>20 reduction of values to reflect large sizes of</p> <p>21 positions; is that correct?</p> <p>22 A. We did not take a block size discount</p> <p>23 on large positions.</p> <p>24 Q. Would that include any liquidity</p> <p>25 discounts that were taken by asset class --</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 strike that. Would any liquidity discounts</p> <p>3 taken by asset class reflect the size of any</p> <p>4 individual position or size of that asset class</p> <p>5 relative to the rest being acquired?</p> <p>6 MR. THOMAS: Objection to form.</p> <p>7 A. The calculation of the liquidity</p> <p>8 adjustment was ambiguous to size. It was really</p> <p>9 a function of the pricing dispersion and it was</p> <p>10 applied across asset categories. It was not</p> <p>11 applied across position size.</p> <p>12 Q. And you stated that you attempted to</p> <p>13 fair value as of September 22, 2008; is that</p> <p>14 correct?</p> <p>15 MR. THOMAS: Objection to form.</p> <p>16 A. We provided fair values as of</p> <p>17 September 2008, September 22, 2008.</p> <p>18 Q. And that would be at what point in</p> <p>19 time on September 22, 2008?</p> <p>20 MR. THOMAS: Objection to form.</p> <p>21 A. For the assets that we provided, that</p> <p>22 would have been an end-of-day price.</p> <p>23 Q. And an end-of-day price would capture</p> <p>24 any movement in the market throughout the day</p> <p>25 September 22, 2008, correct?</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 A. For the majority of the assets that I</p> <p>3 value, there would not have been tremendous</p> <p>4 movement on a day-to-day basis of the primary</p> <p>5 assumptions that would be used to value those</p> <p>6 securities because they are not highly</p> <p>7 interest-rate sensitive. They would be highly</p> <p>8 credit-sensitive and the credit data is released</p> <p>9 on a monthly basis.</p> <p>10 Q. And would it follow, then, that you</p> <p>11 would not expect a lot of movement from</p> <p>12 September 19 close to September 22 close for the</p> <p>13 assets which your group covers; is that correct?</p> <p>14 MR. THOMAS: Objection to form.</p> <p>15 A. That would be, depending upon how the</p> <p>16 interest rates moved month over month -- or, day</p> <p>17 over day, that would have been the primary</p> <p>18 movement of those values.</p> <p>19 Q. Just so I make sure that it's clear,</p> <p>20 you mean primary movement would have been</p> <p>21 month-to-month, correct?</p> <p>22 A. The primary movement between Friday to</p> <p>23 Monday would have been a reflection of changes</p> <p>24 in interest rates or the yield curve.</p> <p>25 Q. So did your group undertake to measure</p>

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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 what the difference was between the end of day</p> <p>3 September 19 and end of day September 22?</p> <p>4 A. We priced the positions of the 19th</p> <p>5 and the 22nd, yes.</p> <p>6 Q. And do you know what the difference</p> <p>7 was between the two?</p> <p>8 A. Not off the top of my head.</p> <p>9 Q. Do you remember if it was a large</p> <p>10 difference or small?</p> <p>11 A. It, again, in my world, the</p> <p>12 securitized products world, it would have been a</p> <p>13 relatively small movement in pricing.</p> <p>14 MS. CARRERO: That's it.</p> <p>15 MR. DAKIS: No further questions.</p> <p>16 (Time Noted: 5:08 P.M.)</p> <p>17 oOo</p> <p>18</p> <p>19</p> <p>20 RICHARD LANDREMAN</p> <p>21 Subscribed and sworn to</p> <p>22 before me this day</p> <p>23 of 2010.</p> <p>24 _____</p> <p>25</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 CERTIFICATE</p> <p>3 STATE OF NEW YORK)</p> <p>4 : ss</p> <p>5 COUNTY OF NEW YORK)</p> <p>6 I, Kathy S. Klepfer, a Registered</p> <p>7 Merit Reporter and Notary Public within and</p> <p>8 for the State of New York, do hereby</p> <p>9 certify:</p> <p>10 That RICHARD LANDREMAN, the witness</p> <p>11 whose deposition is herein before set forth,</p> <p>12 was duly sworn by me and that such</p> <p>13 deposition is a true record of the testimony</p> <p>14 given by such witness.</p> <p>15 I further certify that I am not</p> <p>16 related to any of the parties to this action</p> <p>17 by blood or marriage and that I am in no way</p> <p>18 interested in the outcome of this matter.</p> <p>19 I further certify that neither the</p> <p>20 deponent nor a party requested a review of</p> <p>21 the transcript pursuant to Federal Rule of</p> <p>22 Civil Procedure 30(e) before the deposition</p> <p>23 was completed.</p> <p>24 In witness whereof, I have hereunto</p> <p>25 set my hand this 16th day of June, 2010.</p> <p> -----</p>
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<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 INDEX</p> <p>3 WITNESS: EXAMINATION BY PAGE</p> <p>4 RICHARD LANDREMAN Ms. Carrero 5, 203</p> <p>5 Mr. Dakis 193</p> <p>6 Mr. Thomas 195</p> <p>7 EXHIBITS: PAGE</p> <p>8 Exhibit 799B, Exhibit C, described as Bio 12</p> <p>9 for ABS</p> <p>10 Exhibit 800B, a document bearing Bates Nos. 28</p> <p>11 BCI-EX-(S)207964 through 207969, with attachment</p> <p>12 Exhibit 801B, a document bearing Bates Nos. 33</p> <p>13 BCI-EX-(S)201185 through 201187</p> <p>14 Exhibit 802B, a document bearing Bates Nos. 37</p> <p>15 BCI-EX-297092 through 297113</p> <p>16 Exhibit 803B, a document bearing Bates Nos. 37</p> <p>17 BCI-EX0297114 through 297134</p> <p>18 Exhibit 807B, a document bearing Bates Nos. 37</p> <p>19 PwC-BarCap45788 through 45792</p> <p>20 Exhibit 804B, a document bearing Bates Nos. 45</p> <p>21 PwC-BarCap15824 through 15843</p> <p>22 Exhibit 805B, a document bearing Bates Nos. 60</p> <p>23 PwC-BarCap46090 through 46102</p> <p>24 Exhibit 806B, a document bearing Bates Nos. 60</p> <p>25 BCI-EX-297183 through 297200</p>	<p>1 HIGHLY CONFIDENTIAL - Landreman</p> <p>2 INDEX (Cont'd.)</p> <p>3 EXHIBITS: PAGE</p> <p>4 Exhibit 808B, a document bearing Bates Nos. 85</p> <p>5 BCI-EX-(S)201329 through 201331</p> <p>6 Exhibit 809B, a document bearing Bates Nos. 91</p> <p>7 BCI-EX-(S)201104</p> <p>8 Exhibit 810B, a document bearing Bates Nos. 98</p> <p>9 BCI-EX-(S)52667 through 52668, with attachment</p> <p>10 Exhibit 811B, a document bearing Bates Nos. 119</p> <p>11 BCI-EX-(S)207849 through 7850, with attachment</p> <p>12 Exhibit 812B, a document bearing Bates Nos. 123</p> <p>13 BCI-EX-(S) 207979 through 7980, with attachment</p> <p>14 Exhibit 813B, a document bearing Bates Nos. 130</p> <p>15 PwC-BarCap11225 through 11310</p> <p>16 Exhibit 814B, a document bearing Bates Nos. 153</p> <p>17 PwC-BarCapWP_23318 through 23351</p> <p>18 Exhibit 815B, a document bearing Bates Nos. 159</p> <p>19 PwC-BarCap 45782 through 45787</p> <p>20 Exhibit 816B, a document bearing Bates Nos. 176</p> <p>21 PwC-BarCap 48233 through 48236</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>

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1 HIGHLY CONFIDENTIAL - Landreman

2 NAME OF CASE: In re Lehman

3 DATE OF DEPOSITION: June 16, 2010

4 NAME OF WITNESS: Richard Landreman

5 Reason Codes:

6 1. To clarify the record.

7 2. To conform to the facts.

8 3. To correct transcription errors.

9 Page _____ Line _____ Reason _____

10 From _____ to _____

11 Page _____ Line _____ Reason _____

12 From _____ to _____

13 Page _____ Line _____ Reason _____

14 From _____ to _____

15 Page _____ Line _____ Reason _____

16 From _____ to _____

17 Page _____ Line _____ Reason _____

18 From _____ to _____

19 Page _____ Line _____ Reason _____

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EXHIBIT 5

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HIGHLY CONFIDENTIAL
UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK
-----X
In Re:
Chapter 11
LEHMAN BROTHERS Case No. 08-13555(JMP)
HOLDINGS, INC., et al., (Jointly Administered)
Debtors.

-----X
* * *HIGHLY CONFIDENTIAL* * *
DEPOSITION OF MARK WASHTELL
New York, New York
June 17, 2010

Reported by:
KATHY S. KLEPFER, RMR, RPR, CRR, CLR
JOB NO. 31054

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<p>1 HIGHLY CONFIDENTIAL</p> <p>2 June 17, 2010</p> <p>3 9:45 A.M.</p> <p>4</p> <p>5 Deposition of MARK WASHTELL,</p> <p>6 held at the law offices of Jones Day, LLP,</p> <p>7 222 East 41st Street, New York, New York,</p> <p>8 before Kathy S. Klepfer, a Registered</p> <p>9 Professional Reporter, Registered Merit</p> <p>10 Reporter, Certified Realtime Reporter,</p> <p>11 Certified Livenote Reporter, and Notary</p> <p>12 Public of the State of New York.</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 HIGHLY CONFIDENTIAL</p> <p>2</p> <p>3 A P P E A R A N C E S:</p> <p>4</p> <p>5 JONES DAY, LLP</p> <p>6 Attorneys for Lehman Brothers, Inc.</p> <p>7 222 East 41st Street</p> <p>8 New York, New York 10017-6702</p> <p>9 BY: KELLY A. CARRERO, ESQ.</p> <p>10 MICHAEL DAILEY, ESQ.</p> <p>11 JOSH BROMBERG (Summer Associate)</p> <p>12</p> <p>13 BOIES, SCHILLER & FLEXNER, LLP</p> <p>14 Attorneys for Barclays</p> <p>15 401 East Las Olas Boulevard</p> <p>16 Suite 1200</p> <p>17 Fort Lauderdale, Florida 33301</p> <p>18 BY: TODD THOMAS, ESQ.</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
Page 4	Page 5
<p>1 HIGHLY CONFIDENTIAL</p> <p>2 A P P E A R A N C E S: (Cont'd.)</p> <p>3</p> <p>4 QUINN, EMANUEL, URQUHART & SULLIVAN, LLP</p> <p>5 Attorneys for the Creditors Committee</p> <p>6 51 Madison Avenue</p> <p>7 22nd Floor</p> <p>8 New York, New York 10010</p> <p>9 BY: ERIC M. KAY, ESQ.</p> <p>10</p> <p>11 HUGHES, HUBBARD & REED, LLP</p> <p>12 Attorneys for the SIPA Trustee</p> <p>13 One Battery Park Plaza</p> <p>14 New York, New York 10004</p> <p>15 BY: NEIL J. OXFORD, ESQ.</p> <p>16</p> <p>17</p> <p>18</p> <p>19 ALSO PRESENT:</p> <p>20 MARC VELLRATH, FSG</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 MARK WASHTELL, called as a</p> <p>3 witness, having been duly sworn by a Notary</p> <p>4 Public, was examined and testified as</p> <p>5 follows:</p> <p>6 EXAMINATION BY</p> <p>7 MS. CARRERO:</p> <p>8 Q. Good morning, Mr. Washtell. My name</p> <p>9 is Kelly Carrero. I'm with the law firm of</p> <p>10 Jones Day. We represent Lehman Brothers</p> <p>11 Holdings, Inc. in this matter. I have with me</p> <p>12 my colleague Michael Dailey and one of our</p> <p>13 summer associates, Josh Bromberg.</p> <p>14 And I'll let the other counsel around</p> <p>15 the table introduce themselves.</p> <p>16 MR. KAY: Sure. Eric Kay from Quinn</p> <p>17 Emanuel for the Official Creditors</p> <p>18 Committee.</p> <p>19 MR. THOMAS: Todd Thomas from Boies,</p> <p>20 Schiller & Flexner on behalf of Barclays and</p> <p>21 the witness.</p> <p>22 BY MS. CARRERO:</p> <p>23 Q. Mr. Washtell, can you tell us what</p> <p>24 your position, responsibilities, duties are at</p> <p>25 Barclays?</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

HIGHLY CONFIDENTIAL - Washtell

A. Sure. I'm a director. I work within the Independent Valuation Control Group. I am currently responsible for the global equities asset class, in addition to the global FX and European emerging markets business.

Q. And was that your same title and responsibilities as of September 2008 at the time of the Lehman transaction?

A. As of September 2008, I was vice president in charge of, again, working with the Independent Valuation Control, responsible for the global equity derivative business for Barclays Capital.

Q. And when did the change in title and responsibilities take place?

A. At the start of 2009, I was promoted from vice president to director, and at some point in the end of Q1 '09, I took the additional asset class responsibilities.

Q. And who had responsibility for the other asset classes prior to your taking those on at the end of quarter 1 of 2009?

A. I don't recall exactly who, but I'm part of a management team, so the Global TSG Reporting - Worldwide 877-702-9580

HIGHLY CONFIDENTIAL - Washtell

Independent Valuation Control Group is a team of approximately 100 individuals globally. Within that there are different directors responsible for different asset classes.

Q. Do you know if anyone had direct responsibility for global equities, for instance?

A. Well, that was, at the time -- at what time? Sorry.

Q. In September of 2008.

A. September 2008, Barclays did not have what we call global equities. We had a Global Equity Derivatives Group or business, and I was responsible for that.

Q. And why in September 2008 was there no global equities in existence?

A. That was not a business that we had at that time.

Q. Is that a business --

A. It's just the structure of the company was such we had a global equity derivatives group rather than a global equities business, which is what we have now.

Q. And was that change a consequence of
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HIGHLY CONFIDENTIAL - Washtell
the Lehman transaction?

MR. THOMAS: Objection to form.

A. That change was the consequence of a decision on the part of senior management of the bank, so ...

Q. But is it a change in what types of positions that Barclays held in 2008 as opposed to subsequent to then?

MR. THOMAS: Objection to form.

A. We have a different business, different equities business now than we had in September 2008, if that's what you mean.

Q. And how has that equities business changed between September 2008 and now?

A. I'm not best qualified to answer, that would be someone in the business, but in general terms, it's a much more global business. It now covers much more on the cash equity side than previously, when it was very focused on derivatives.

Q. And in 2008, how many people were within the Global Equities Derivatives Group?

A. I don't know.

Q. Besides yourself?

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HIGHLY CONFIDENTIAL - Washtell

A. You mean, by Global Equity Derivatives Group, what do you mean?

Q. I mean within the independent valuation function.

MR. THOMAS: Objection to form.

A. Within the Independent Valuation Group, specifically focused on equity derivatives working for me, I think approximately five.

Q. And did the Equity Derivatives PT Group, if we can agree that "PT" refers to your group, would that be an acceptable --

A. You could call it PT if you want. We would call it Independent Valuation Control, so IVC.

Q. IVC. Okay. We'll use IVC then.

So within your IVC Group that had five or so people in September of 2008, were you the leader of that group?

A. Yes.

Q. And who did you report to?

A. At that time, and still, Marcus Morton.

Q. And is Marcus Morton located in London

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1 **HIGHLY CONFIDENTIAL - Washtell**
2 **or in New York?**

3 A. At that time, he was located in New
4 York. He's now located in London.

5 **Q. And is there an equities counterpart**
6 **of yours in the New York office?**

7 A. At that time in 2008?

8 **Q. At that time in 2008, yes.**

9 A. No.

10 **Q. We should also establish that you are**
11 **located in London; is that correct?**

12 A. That's correct.

13 **Q. And you were located in London in**
14 **2008, correct?**

15 A. That's correct.

16 **Q. And to what size has the Equities IVC**
17 **Group grown since September 2008?**

18 A. We now have six full-time personnel in
19 London and five full-time personnel in New York.

20 **Q. And is that growth a consequence of**
21 **significant growth within Barclays' equities**
22 **business?**

23 A. That's a contributing factor, yes.

24 **Q. Were, in 2008, were any of the members**
25 **of the Equities IVC Group located in New York?**

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1 **HIGHLY CONFIDENTIAL - Washtell**

2 A. No, at that time, they were not.

3 **Q. Mr. Washtell, I'm handing you what was**
4 **previously marked as Deposition Exhibit 799B.**

5 A. Uh-huh.

6 **Q. Just take a moment to look it over.**
7 **(Document review.)**

8 **Q. I will represent to you that this is a**
9 **document that was an exhibit to a brief**
10 **submitted by Barclays' counsel in connection**
11 **with the motion in limine to exclude one of**
12 **Barclays' experts retained in this matter, and**
13 **if you would turn to the second page titled**
14 **"Global Independent Valuation." Do you see**
15 **that?**

16 A. I do.

17 **Q. Have you seen this document before?**

18 A. Not this specific document, from my
19 recollection, but I've seen similar documents.

20 **Q. And you would agree that your name**
21 **does not appear on this document; is that**
22 **correct?**

23 A. I haven't read it completely, but it
24 doesn't stand out in bold like most of the other
25 names. So I'm happy to accept it probably does

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1 **HIGHLY CONFIDENTIAL - Washtell**
2 **not.**

3 **Q. If you would turn to the last page of**
4 **the document and look at the names listed under**
5 **"U.S. Equities Valuations"?**

6 A. Yes.

7 **Q. If your name were to appear on this**
8 **list, would you expect it to appear among the**
9 **names of the Equities IVC members?**

10 A. Were there a section for the Global
11 Equities IVC team, then yes. This seems very
12 specific to U.S. equity valuations.

13 **Q. So the names listed on Exhibit 799B**
14 **are the members of Equities IVC that are located**
15 **in the U.S.; is that correct?**

16 A. This looks correct as of a point in
17 time.

18 **Q. And what point in time would this be**
19 **correct as of?**

20 A. This looks correct to me as of the end
21 of 2008.

22 **Q. And how has it changed since the end**
23 **of 2008?**

24 A. Jerry Shi has left the firm, Katharine
25 Gee has moved to a different asset class, the

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1 **HIGHLY CONFIDENTIAL - Washtell**
2 **two executives both being promoted to assistant**
3 **vice presidents, but it's still within the U.S.**
4 **Equity Valuation Team.**

5 **Q. And what asset class has Katharine Gee**
6 **moved on to?**

7 A. She works in a sort of cross-asset
8 client valuation role within the Independent
9 Valuation Control Group.

10 **Q. Is it still related to equities**
11 **whatsoever?**

12 A. Only in the sense that it is related
13 to every other asset class. It's a cross-asset
14 class client valuation group. She's not engaged
15 in any day-to-day work in looking at the equity
16 portfolio specifically from a valuation control
17 perspective.

18 **Q. And were all four of the Equities IVC**
19 **individuals listed on 799B part of that group as**
20 **of September 2008?**

21 A. None of them were.

22 MR. THOMAS: Objection.

23 **Q. Do you know as of what date they**
24 **became part of the Equities IVC Group?**

25 A. I guess when you say -- could you say

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1 HIGHLY CONFIDENTIAL - Washtell
2 a specific date in September?
3 **Q. As of the Lehman acquisition, were any**
4 **of these four individuals --**
5 A. Well, three of the individuals worked
6 at Lehman Brothers.
7 **Q. Which three individuals?**
8 A. Jerry Shi, Yu Zhou and Kunal Kunde.
9 **Q. How do you pronounce that last name?**
10 A. Kunal Kunde.
11 At the time of the acquisition they
12 were not part of the Barclays Independent
13 Valuation Control Group. They were after the
14 acquisition, obviously.
15 **Q. Will you agree with me that these**
16 **individuals don't have asterisks next to their**
17 **name, although the bottom of the document**
18 **indicates that there would be an asterisk if**
19 **individuals joined Barclays through the Lehman**
20 **acquisition.**
21 MR. THOMAS: Objection to form.
22 A. I agree, I don't see an asterisk next
23 to their names on this document.
24 **Q. And you mentioned that Jerry Shi has**
25 **left the firm; is that correct?**

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1 HIGHLY CONFIDENTIAL - Washtell
2 something he worked on.
3 **Q. And was that an area that he had**
4 **worked in while a member of the Lehman**
5 **counterpart to IVC?**
6 A. I don't know for definite, but based
7 on my understanding of his role, it's a
8 reasonable assumption.
9 **Q. You had asked me earlier whether I**
10 **meant generally or specifically to equities. Is**
11 **the answer any different if I asked what he**
12 **worked on specific to equities?**
13 A. Not for him, no. Some of the other
14 members of the team may have been involved in
15 some data collection at my direction in relation
16 to the equities portfolio, but it very much
17 would have been a data collection exercise and
18 them being directed by me to source data.
19 **Q. Why don't we go through the names on**
20 **this list. Before we move on, let's just tie up**
21 **Jerry Shi.**
22 **Did he work on anything other than**
23 **testing the options portfolio?**
24 A. I can't say for definite, but I'm not
25 aware of anything. But I'm also not aware of

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1 HIGHLY CONFIDENTIAL - Washtell
2 A. Uh-huh.
3 **Q. And --**
4 A. Yes. Sorry.
5 **Q. And when did he leave?**
6 A. I believe it was October 2009.
7 **Q. And were the individuals listed under**
8 **U.S. Equities Valuations on 799B involved in the**
9 **valuation of securities acquired from Lehman?**
10 A. In a general sense? You're not
11 specifically talking to equity securities,
12 you're saying in securities generally?
13 **Q. Generally, we can start there.**
14 A. Okay. I know Jerry was involved, yes.
15 **Q. And do you know how he was involved?**
16 A. Not in a huge amount of detail. Not
17 specifically.
18 **Q. Generally, how did Jerry Shi --**
19 A. Did we work together? Did we work
20 together specifically on anything? No. I know
21 he worked on areas of it.
22 **Q. Do you know what areas of valuing any**
23 **of the securities acquired from Lehman that he**
24 **worked on?**
25 A. I know the listed option portfolio was
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1 HIGHLY CONFIDENTIAL - Washtell
2 all of the work that was done for the entire
3 acquisition. I was specifically focused on
4 looking at the equity, what we called the equity
5 assets.
6 **Q. So, with respect to the equity assets,**
7 **the only thing that you're aware that Jerry Shi**
8 **worked on was the testing of the equity options?**
9 A. That's my recollection, yes.
10 **Q. How about we move down the list.**
11 **And Katharine Gee, was she involved in**
12 **valuing any of the assets that were acquired**
13 **from Lehman?**
14 A. I don't recall for -- I don't think
15 so, but I don't recall for definite. I mean,
16 two years later, thinking about it, did I have
17 extensive interaction with Jerry, Katharine or
18 Yu Zhou on this? No. I recall asking Kunal to
19 specifically look for certain datasets for me.
20 Beyond that, I don't think these guys were
21 involved.
22 **Q. So I'm going to butcher the name here.**
23 **Yu Zhou?**
24 A. Yu Zhou, yes.
25 **Q. Was Yu Zhou involved at all in valuing**
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1 **HIGHLY CONFIDENTIAL - Washtell**
2 **any of the equities positions?**
3 A. Not as far as I recall, no.
4 **Q. I just ask -- we didn't really go over**
5 **the housekeeping rules, which maybe we should.**
6 **I should have asked you, have you ever been**
7 **deposed before?**
8 A. What's post?
9 **Q. Deposed in a deposition?**
10 A. I'm sorry, I thought you said have I
11 ever been to post.
12 No, I have never been deposed before.
13 **Q. So one thing that will help make**
14 **things go smoother is that if you just let me**
15 **finish asking a question before you offer an**
16 **answer, and I'll try to do same. I'll wait for**
17 **you to complete your answer --**
18 A. Okay.
19 **Q. -- before starting a new question.**
20 **And if you need a break, I would just**
21 **ask that you finish up answering whatever**
22 **pending question might be in existence and --**
23 A. Okay.
24 **Q. -- then, if it's a good time to break,**
25 **we will.**
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Page 20

1 **HIGHLY CONFIDENTIAL - Washtell**
2 since 2006.
3 He was the person principally involved
4 in the data collection.
5 **Q. And who else within the London IVC**
6 **Group was involved?**
7 A. No one extensively.
8 **Q. Could you just name the individuals,**
9 **the other individuals of the Equities IVC Group**
10 **that were located in London?**
11 A. Ana Acuna. Ana, as in A-N-A. Acuna,
12 as is A-C-U-N-A. Guillaume Froidure.
13 Guillaume, as in G-U-I-L-L-A-U-M-E for
14 Guillaume. And Froidure, as in F-R-O-I-D-U-R-E.
15 That's better.
16 Polykarpos Pappadopolous -- can I
17 write this down?
18 **Q. There is not one easy name here.**
19 A. There's not.
20 P-O-L-Y-K-A-R-P-O-S, Polykarpos.
21 Can I have a pen to spell
22 Pappadopolous so I get it right?
23 **Q. Just your best guess.**
24 A. P-A-P-P-A-D-O-P-O-L-O-U-S.
25 **Q. Great. Thank you.**
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1 **HIGHLY CONFIDENTIAL - Washtell**
2 **I believe where we had left off was**
3 **that Yu Zhou, you don't recollect whether he was**
4 **involved in valuing any of the positions**
5 **acquired from Lehman other than perhaps going**
6 **out and gathering some datasets?**
7 A. Yes, that's correct.
8 **Q. And the same thing holds true for**
9 **Kunal Kunde?**
10 A. Yes.
11 **Q. Were any other members of the Equities**
12 **IVC Group involved in valuing any of the**
13 **equities acquired from Lehman?**
14 A. Members of my team in London at that
15 time were involved at my direction in obtaining
16 data which was used in determining the
17 valuation.
18 **Q. And who are the members of the team in**
19 **London?**
20 A. At that time, Jaspreet Bhatial.
21 **Q. I think you're going to need to spell**
22 **these for the court reporter.**
23 A. J-A-S-P-R-E-E-T. The surname is
24 B-H-A-T-I-W-A-L. He's a member of the London
25 Equity Independent Valuation Team, and has been
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1 **HIGHLY CONFIDENTIAL - Washtell**
2 **Were members of IVC that covered other**
3 **asset classes involved to any extent with the**
4 **valuation of equity positions acquired from**
5 **Lehman in the transaction?**
6 A. Not to my knowledge.
7 **Q. So would the individuals that we've**
8 **discussed be an exhaustive list of the people**
9 **within Barclays IVG (sic) that were involved**
10 **with the valuation of equity positions?**
11 A. Was involved with IVC, yes. The
12 individuals I have mentioned would be, to my
13 recollection now, the list of individuals I
14 would have used or consulted on in performing
15 the analysis of the equity portfolio.
16 **Q. And did you have primary**
17 **responsibility for valuing the equities that**
18 **were transferred over in connection with the**
19 **Lehman transaction?**
20 A. For the purposes of the opening
21 balance sheet?
22 **Q. Yes.**
23 A. Then, yes, I was principally
24 responsible for arriving at the fair value used
25 for the equity portfolio.
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Page 22	Page 23
<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 Q. Did you have primary responsibility</p> <p>3 for the valuation of any other types of</p> <p>4 securities that were acquired from Lehman for</p> <p>5 purposes of the opening balance sheet?</p> <p>6 A. No. It was purely what we called the</p> <p>7 equity portfolio, which included stocks,</p> <p>8 preferred stocks and convertible bonds.</p> <p>9 Q. What about equity options?</p> <p>10 A. There were no OTC equity options, and</p> <p>11 I was not involved in looking at the listed</p> <p>12 option valuation. That was, as I said before, I</p> <p>13 believe Jerry Shi.</p> <p>14 Q. And did Jerry Shi report to you upon</p> <p>15 joining the Barclays IVC Group?</p> <p>16 A. No.</p> <p>17 Q. Who did he report to?</p> <p>18 A. Marcus Morton.</p> <p>19 Q. Were you involved in the valuation of</p> <p>20 any securities other than securities within the</p> <p>21 equities portfolio with respect to securities</p> <p>22 acquired from Lehman for purposes of valuing</p> <p>23 them on the opening balance sheet?</p> <p>24 A. No, I was not.</p> <p>25 Q. Is there a specific part of the</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 business that the Equities IVC Group supports?</p> <p>3 A. Now?</p> <p>4 Q. Why don't we start back in September</p> <p>5 of -- prior to the Lehman acquisition.</p> <p>6 A. So we supported, if you want to call</p> <p>7 it that, or primarily responsible for the Equity</p> <p>8 Derivatives Group. The IVC Group is part of the</p> <p>9 Product Control function.</p> <p>10 Q. And just to follow up on that, the IVC</p> <p>11 Group is one of a number of subgroups within</p> <p>12 PCG; is that correct?</p> <p>13 A. That's correct.</p> <p>14 Q. And how many subgroups are there</p> <p>15 within PCG?</p> <p>16 A. I don't know off the top of my head.</p> <p>17 Q. And who is the head of PCG?</p> <p>18 A. Paul Capson.</p> <p>19 Q. And would Marcus Morton, who you</p> <p>20 report to, report directly to Paul Capson?</p> <p>21 A. Correct.</p> <p>22 Q. If we can just go back to, so prior to</p> <p>23 the Lehman acquisition, your group had primary</p> <p>24 responsibility for the Equities Derivatives</p> <p>25 Desk; is that correct?</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
Page 24	Page 25
<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 A. That's correct.</p> <p>3 Q. And following the Lehman acquisition,</p> <p>4 what desks does your group have primary</p> <p>5 responsibility for?</p> <p>6 A. Now?</p> <p>7 Q. I'd only make the distinction if it's</p> <p>8 changed between immediately after the</p> <p>9 acquisition to present day. So if we need to,</p> <p>10 why don't we start with immediately after the</p> <p>11 acquisition.</p> <p>12 A. Immediately after the acquisition,</p> <p>13 Jerry Shi, with the team that you see here, was</p> <p>14 primarily responsible for the U.S. equities</p> <p>15 business. I was then primarily responsible for</p> <p>16 the Europe and Asia equities business.</p> <p>17 Following, just to clarify what I mean</p> <p>18 by equities business as opposed to equity</p> <p>19 derivatives business, following the acquisition</p> <p>20 on the effective relaunch, if you will, of the</p> <p>21 equities business, it was rebranded from equity</p> <p>22 derivatives to global equities.</p> <p>23 Q. And could you tell me what desks would</p> <p>24 fall under the U.S. equities business?</p> <p>25 A. That would be all desks trading cash</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 equities or equity derivatives or equity-related</p> <p>3 products, so convertible bonds, for instance.</p> <p>4 Q. And would the same hold true for the</p> <p>5 Europe and Asia equities business, the types of</p> <p>6 desks that would fall under that?</p> <p>7 A. The types of desks, yes.</p> <p>8 Q. You had described your group as having</p> <p>9 primary responsibility for, prior to the</p> <p>10 acquisition, the Equities Derivatives Desk.</p> <p>11 Could you explain what you mean by</p> <p>12 "primary responsibility"?</p> <p>13 A. That means I was responsible for all</p> <p>14 Independent Valuation Control work in relation</p> <p>15 to the Global Equity Derivatives Desk. It means</p> <p>16 I would meet with the global head of the Equity</p> <p>17 Derivatives Desk on a monthly basis, for</p> <p>18 example, to discuss our analysis of the</p> <p>19 valuation of that portfolio.</p> <p>20 Q. Could you explain what "independent</p> <p>21 valuation work" means?</p> <p>22 A. In simple terms, it means, on a</p> <p>23 regular basis, generally, at a minimum, monthly,</p> <p>24 that we will independently assess the valuation</p> <p>25 of the firm's trading positions to ensure that</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

1 HIGHLY CONFIDENTIAL - Washtell
2 they're marked at what we deem an appropriate
3 fair value as defined by the accounting
4 standards under which we operate.

5 **Q. And which accounting standards do you**
6 **turn to for definition of "fair value"?**

7 A. IS 39.

8 **Q. And what does the independent**
9 **assessment that you've described entail?**

10 A. Again, very generally, high level, it
11 entails us getting a complete population of all
12 trading book positions, looking at the valuation
13 in the trading systems of the firm, then going
14 externally to source independent data for all of
15 those positions to arrive at, effectively, an
16 independent valuation for the trading book
17 positions.

18 **Q. And at the time that this independent**
19 **assessment takes place, you would be starting**
20 **with what a trader has independently valued a**
21 **position at; is that correct?**

22 MR. THOMAS: Objection to form.

23 A. We would start with the marks or the
24 valuations in the trading systems of the firm
25 which feed the subledgers, the balance sheet and

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1 HIGHLY CONFIDENTIAL - Washtell
2 the financial statements, ultimately. That's
3 the valuation that Barclays has at month-end for
4 trading positions. We would then look to
5 independently assess the valuation of those
6 positions.

7 **Q. And could you tell me the names of the**
8 **different systems that feed -- the trading**
9 **systems, for instance, that would feed into the**
10 **subledger that would then feed into the general**
11 **ledger, et cetera?**

12 A. For equities?

13 **Q. For equities, yes.**

14 A. At that time, in 2008?

15 **Q. Why don't we start with, has it**
16 **changed since the acquisition?**

17 A. There are additional systems now.

18 **Q. Were those additional systems in**
19 **existence at the time that you were undertaking**
20 **the valuation of the assets acquired from**
21 **Lehman?**

22 A. Not within Barclays, no.

23 **Q. So if we can talk about the systems**
24 **that were in place at the time that the**
25 **valuation of the securities that were**

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1 HIGHLY CONFIDENTIAL - Washtell
2 **acquired --**

3 A. Sure.

4 **Q. -- were being undertaken for purposes**
5 **of the opening balance sheet.**

6 A. The principal trading system was
7 called SOPHIS. It still is called SOPHIS. The
8 subledger I believe is called FISS, F-I-S-S.

9 What was the rest of the question?

10 **Q. And would FISS feed into --**

11 A. The general ledger.

12 **Q. -- a general ledger?**

13 A. SAP.

14 **Q. SAP.**

15 **And that would be the system from**
16 **which financial statements would be generated;**
17 **is that correct?**

18 A. That's correct.

19 **Q. And is there a specific system that**
20 **your group is looking at when they begin the**
21 **price testing process on a monthly basis?**

22 A. We would look at SOPHIS, for example,
23 to obtain a position listing. The desk's risk
24 position.

25 **Q. And would --**

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1 HIGHLY CONFIDENTIAL - Washtell

2 A. And the desk's valuations, obviously.

3 **Q. And that was going to be my next**
4 **question. So SOPHIS would contain whatever the**
5 **current mark was for each position?**

6 A. Yes. Yes.

7 **Q. And if your group had any -- if after**
8 **the price testing process there was a difference**
9 **found between the value that your group had**
10 **arrived at versus what was in SOPHIS, what would**
11 **be the next step?**

12 A. The first step is we would discuss
13 that valuation difference with the trader
14 concerned who owns that position and who marks
15 that position. We would then, based on his
16 feedback, potentially take into account any
17 additional information that he's willing to
18 provide to try and reach agreement between us on
19 what is the appropriate valuation.

20 If we cannot reach agreement on that,
21 then subject to our policies and procedures of
22 the firm and materiality thresholds that are
23 defined therein, we would take adjustments to
24 the valuations to ensure that they're in line
25 with our independent valuations.

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<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 Q. And what sort of record would be</p> <p>3 generated to document that there was a</p> <p>4 disagreement as to price?</p> <p>5 A. All of these positions that are</p> <p>6 tested, as well as any positions that are not</p> <p>7 tested, with all variances are reported on a</p> <p>8 monthly basis to the traders concerned, to the</p> <p>9 heads of Trading Management, to Product Control,</p> <p>10 Finance, Market Risk Management, and ultimately</p> <p>11 this is all discussed with our auditors as well</p> <p>12 as the regulators.</p> <p>13 Q. And do these variance reports have a</p> <p>14 specific name?</p> <p>15 A. Price Testing Reports, so,</p> <p>16 generically.</p> <p>17 Q. Do you know if any Price Testing</p> <p>18 Reports were generated in connection with any of</p> <p>19 the securities that were acquired from Lehman</p> <p>20 and price tested by your group?</p> <p>21 A. We produced a valuation, obviously, in</p> <p>22 the same way that we would perform our normal</p> <p>23 price testing process. That is, the list of</p> <p>24 assets that we had, we went out to obtain the</p> <p>25 independent market data that we would normally</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 do as part of that process to arrive at our</p> <p>3 independent valuation.</p> <p>4 Q. In the process of going through that</p> <p>5 independent valuation, would any differences</p> <p>6 between a price that was in SOPHIS at the time</p> <p>7 have been generated?</p> <p>8 A. In this case, this is different to our</p> <p>9 normal process because these were not positions</p> <p>10 on our books at the time that had a trader</p> <p>11 marking them, these were positions that we were</p> <p>12 effectively receiving in a spreadsheet and being</p> <p>13 asked to value. So I did not have a system</p> <p>14 valuation or a trader valuation at that point in</p> <p>15 time.</p> <p>16 Q. So there --</p> <p>17 A. So do I have a variance report? Not</p> <p>18 that I recall.</p> <p>19 Q. So there would be no marks in SOPHIS</p> <p>20 at the time that your group began the</p> <p>21 independent valuation process; is that correct?</p> <p>22 A. To the extent these positions were not</p> <p>23 booked in SOPHIS, SOPHIS would not have had a</p> <p>24 valuation for this position. That doesn't mean</p> <p>25 that if there were a stock in this portfolio,</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 let's take, for example, IBM, that we would not</p> <p>3 have had a stock price for IBM in SOPHIS,</p> <p>4 because we would have had that.</p> <p>5 But this particular position I'm</p> <p>6 saying is part of a spreadsheet that we're</p> <p>7 assessing, a spreadsheet population, shall I</p> <p>8 say, that we're assessing the valuation of.</p> <p>9 Q. To the extent that Barclays had in</p> <p>10 SOPHIS already a position with the same CUSIP as</p> <p>11 what was being acquired from Lehman, would your</p> <p>12 independent valuation have resulted in the same</p> <p>13 price as what that same position was marked for</p> <p>14 in SOPHIS as of the same date?</p> <p>15 A. The pricing source we used is the</p> <p>16 same. It would be using SOPHIS. So, yes.</p> <p>17 Q. I'm not asking just if it's the same</p> <p>18 pricing source. I'm asking would it be the same</p> <p>19 price?</p> <p>20 MR. THOMAS: Objection to form.</p> <p>21 A. Because we're using the same pricing</p> <p>22 source, it should be the same price.</p> <p>23 Q. I'm asking --</p> <p>24 A. Now, did we reconcile to see where we</p> <p>25 had positions in SOPHIS with where we had</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 positions in this file? No. We didn't need to</p> <p>3 because, what we needed to do was obtain</p> <p>4 independent valuation data for the position in</p> <p>5 this file and we have established sources of</p> <p>6 information for doing that, and that's what we</p> <p>7 used. I did not go to SOPHIS to source that</p> <p>8 price.</p> <p>9 Q. So the equity positions were valued</p> <p>10 using a close of day September 22 price</p> <p>11 ultimately for purposes of the opening balance</p> <p>12 sheet, correct?</p> <p>13 MR. THOMAS: Objection to form.</p> <p>14 A. Say that again.</p> <p>15 Q. Is it correct that the equity</p> <p>16 positions for purposes of Barclays' opening</p> <p>17 balance sheet were valued using September 22</p> <p>18 close of day price?</p> <p>19 MR. THOMAS: Objection to form.</p> <p>20 A. That's correct, we used the closing</p> <p>21 price date of September 22.</p> <p>22 Q. So taking your example of IBM, if</p> <p>23 Lehman acquired IBM stock -- sorry, if Barclays</p> <p>24 acquired IBM stock from Lehman, if Barclays</p> <p>25 already owned IBM stock with the exact CUSIP,</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

1 **HIGHLY CONFIDENTIAL - Washtell**
2 **would the September 22 valuation price be the**
3 **same for the same position on Barclays' books**
4 **and records?**

5 MR. THOMAS: Objection to form.

6 A. Yes, given it's using the same data
7 sources.

8 **Q. So if --**

9 A. Now, I should, just to clarify, most
10 of the positions we received and assessed the
11 value of would not, would not have been held in
12 Barclays' trading systems at that time because
13 the majority of the positions, or a large part
14 of them, they were all U.S. stocks, and a lot of
15 them were illiquid and names that we just would
16 not have been trading at that time.

17 In addition, we didn't have
18 significant cash eq. or we didn't have a cash
19 equity business at that time. We had an equity
20 derivative business. By definition, we would
21 have been trading the more liquid names, IBM
22 being an example.

23 **Q. There were a number of positions**
24 **already in SOPHIS; is that correct? I'm not**
25 **asking percentage-wise. There were, there were**

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1 **HIGHLY CONFIDENTIAL - Washtell**
2 **some, correct?**

3 A. Did we hold stock positions in SOPHIS?
4 Yes.

5 **Q. Prior to the acquisition?**

6 A. Yes. For the purposes principally of
7 hedging, delta hedging our equity derivative
8 portfolio.

9 **Q. So my question is really as simple as,**
10 **for those positions already in SOPHIS, was the**
11 **same price applied for purposes of valuing those**
12 **securities that were acquired from Lehman?**

13 MR. THOMAS: Objection to form.

14 A. Yes, the same last price at exchange
15 close.

16 **Q. And was the same bid/offer applied?**

17 MR. THOMAS: Objection to form.

18 A. At the time, as I said before -- well,
19 firstly, all positions within the firm are
20 assessed for bid/offer, and our definition of
21 "fair value" within the firm, in line with the
22 accounting standards, is that we need to mark
23 long positions to a bid value.

24 Given at that time we did not have a
25 cash equity business and all stock positions

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1 **HIGHLY CONFIDENTIAL - Washtell**
2 **would have been used to delta hedge our equity**
3 **derivative portfolio, that is, to effectively**
4 **flatten our equity exposure so we have a zero**
5 **sensitivity to the stock price, we wouldn't have**
6 **been taking explicit bid/offer provision on**
7 **equities; we would have been applying bid/offer**
8 **to the derivative portfolio based on the**
9 **derivative risk factors.**

10 **Q. A price for an existing position**
11 **within SOPHIS could have a different price than**
12 **what it was priced for for purposes of the**
13 **acquisition accounting of the Lehman**
14 **transaction; is that correct?**

15 MR. THOMAS: Objection to form.

16 A. What I'm saying is that we would not
17 have been holding the position in SOPHIS as an
18 outright position. Any positions held in SOPHIS
19 would have been held as part of a derivative
20 portfolio to delta hedge that portfolio. So, in
21 considering the valuation of those positions,
22 you need to consider the valuation of that
23 derivative portfolio.

24 If I delta hedge a derivative book
25 with stock, ultimately it doesn't matter where

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1 **HIGHLY CONFIDENTIAL - Washtell**
2 **I'm valuing that stock because I'm delta neutral**
3 **to the valuation of that stock. So whether I**
4 **value a range of prices ultimately, the purpose**
5 **of holding that stock position is to delta hedge**
6 **the book. There's not going to be a valuation**
7 **impact.**

8 **Q. Can you say definitively that there**
9 **are no overlapping equities that were not held**
10 **by Barclays at the time of the acquisition that**
11 **was not acting as a hedge?**

12 MR. THOMAS: Objection to form.

13 A. I can't talk definitively to the, now,
14 to the characteristics of the whole portfolio.
15 What I can tell you is we did not have a cash
16 equity business at that point in time, and I've
17 been quite clear about that. We have what we
18 called the equity derivatives business.

19 That means we were not principally
20 engaged in trading cash equities. We were
21 principally engaged in trading equity
22 derivatives, and any cash equity positions on
23 our books would have been there specifically to
24 hedge the delta risk on the book.

25 Can I tell you what that list of

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1 HIGHLY CONFIDENTIAL - Washtell
2 positions is or the composition of the
3 portfolio? No.

4 **Q. No process was undertaken at any point**
5 **to determine whether the price that was being**
6 **used for purposes of the opening balance sheet**
7 **acquisition did or did not match the price that**
8 **was being used for any existing positions; is**
9 **that correct?**

10 MR. THOMAS: Objection to form.

11 A. We applied the same policy framework
12 in which we operate. We applied the same
13 principles. We used the same data sources which
14 we would use to value our equity derivatives
15 portfolio.

16 Did we explicitly reconcile any
17 positions between what we were currently holding
18 and what was in this portfolio? No, but from a
19 policy and a framework perspective, as I said,
20 fair value requires that we mark everything to a
21 bid price. That's what we do within the firm.
22 That's what we were doing within the firm from
23 an equity derivatives perspective at that time.

24 You just, the way that you do it,
25 would do it for an equity derivative business is

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1 HIGHLY CONFIDENTIAL - Washtell
2 Just pause a minute so I can get my
3 objection in.

4 A. The firm has a global price testing
5 policy, has a global provisioning policy. This
6 is the framework in which we operate across all
7 desks, across all asset classes, and it means
8 all positions within the firm, all trading
9 positions within the firm are assessed in the
10 same way.

11 **Q. And in addition to a global price**
12 **testing policy and a global provisioning policy,**
13 **are there other policies and procedures specific**
14 **to the Equities IVC Group in place?**

15 A. Yes.

16 **Q. And could you identify the names of**
17 **those other existing policies and procedures?**

18 A. There is a global equities policy
19 application document for price testing.

20 **Q. And are there any others?**

21 A. There would be other procedural
22 methodology documents. I don't have the
23 specific names, but it would be more detailed in
24 terms of how procedures are performed,
25 calculations are done.

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1 HIGHLY CONFIDENTIAL - Washtell
2 not to split your positions out into individual
3 trades. It would be to look, at a portfolio
4 level, what are your portfolio risks that you
5 need to apply a bid/offer to, and that's the way
6 it would be assessed, which is slightly
7 different to here's an outright long cash equity
8 portfolio which clearly also, in line with our
9 policies, needs to be assessed for bid/offer.

10 So the framework in which we operate,
11 the policy which we apply, the reasoning and the
12 way we arrived at this price is consistent. All
13 I'm saying is, where we had an equity derivative
14 business rather than a cash equity business, the
15 way that you arrive at the appropriate fair
16 value for your portfolio is going to be
17 necessarily different.

18 **Q. If Barclays had no existing cash**
19 **equity business prior to the acquisition, under**
20 **what policies and procedures and guidelines did**
21 **your group go about independently valuing the**
22 **cash equity positions that were being acquired?**

23 MR. THOMAS: Objection.

24 A. We have a global --

25 MR. THOMAS: Objection to form.

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1 HIGHLY CONFIDENTIAL - Washtell

2 **Q. And the global equities policy that**
3 **you refer to, was that in existence at the time**
4 **of the acquisition?**

5 A. We certainly had a policy application
6 in place at the time. It's clearly been revised
7 since or reviewed and updated and things change.

8 **Q. And the policies and procedures that**
9 **would have been in place at the time of the**
10 **acquisition would have been reflective of the**
11 **prior name of your group, the --**

12 A. Equity Derivatives.

13 **Q. -- Equity Derivatives Group?**

14 A. Yes.

15 **Q. And those policies and procedures**
16 **would have been specific to equity derivatives;**
17 **is that correct?**

18 A. That's correct.

19 **Q. And were there any policies and**
20 **procedures in place at that time specific to the**
21 **cash equities?**

22 A. To the extent we did not have a cash
23 equity business, we did not have a policy
24 document for a cash equity business.

25 **Q. And --**

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HIGHLY CONFIDENTIAL - Washtell

A. We had a policy document for the equity derivative business.

Q. And how about -- I should ask, when you say "cash equities," what would that include?

A. That business would principally be involved in trading equities securities. That's listed equities. That could be preferred stock, that could be ADRs, depository receipts, that could be convertible bonds.

Q. Would it include equity-linked notes and warrants?

A. I wouldn't classify those specifically as cash equity products, necessarily.

Q. And what would you classify equity-linked notes and warrants as?

A. Equity-linked notes is more of a derivative.

Q. Did --

A. It's clearly a security the way that an equity is a security, but it has a derivative component normally, as a warrant has a derivative component. It's an option stock.

Q. And prior to the Lehman transaction,

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did Barclays own equity-linked notes and warrants for purposes other than hedging?

A. We certainly have an equity-linked note issuance program, so we issue equity-linked notes, yes. Warrants, I'm not sure.

(Recess; Time Noted: 10:44 A.M.)

(Time Noted: 10:57 A.M.)

BY MS. CARRERO:

Q. Earlier, you were telling me that you were involved with the valuation of the equity portfolio acquired from Lehman. When did the valuation process begin for you?

MR. THOMAS: Objection to form.

A. We first started looking at assets positions, securities in relation to this around the time of 9/22. I don't remember the exact date. The process of trying to achieve an opening balance sheet value was started at some point after that time and lasted for a period of months.

Q. Do you know who ultimately decided the value that would be used for purposes of the opening balance sheet?

MR. THOMAS: Objection to form.

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A. Do you mean valuation in relation to equity assets?

Q. I mean in relation to equity assets.

A. It's my understanding that the fair values that we used for the opening balance sheet calculation were those that we arrived at following ongoing internal discussion, review within valuations, as well as an extensive review process with PwC, our external auditors.

Q. It's your understanding that the values that your group calculated are the values that ultimately roll up to the opening balance sheet; is that correct?

A. That's my understanding.

Q. And were you involved in the valuation of any of the assets contemplated to be purchased from Lehman the week before the closing?

MR. THOMAS: Objection to form.

A. Could you repeat the question?

Q. Were you involved in any way with the valuation of assets to be purchased from Lehman prior to the closing of the transaction?

MR. THOMAS: Objection to form.

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A. I was not involved in any work prior to the closing of that transaction in relation to that transaction, to my knowledge.

Q. Are you aware that a significant portion of the assets were transferred to Barclays on September 18 as part of a Repurchase Agreement?

MR. THOMAS: Objection to form.

A. I'm not aware of the specifics of what was transferred and when or as to specifics of the deal. I was not involved.

(Exhibit 817, a document bearing Bates

Nos. BCI-EX-(S)-176597 through 176599, with attachment, marked for identification, as of this date.)

Q. Mr. Washtell, you have before you what has been marked Deposition Exhibit 817.

A. Yes.

Q. Would you take a moment and read it over.

A. Sure.

(Document review.)

A. Okay.

Q. If you'll turn your attention to the

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1 **HIGHLY CONFIDENTIAL - Washtell**
2 **e-mail at the top from you to Mr. Teague dated**
3 **September 19 at GMT time 16:58, which, my math**
4 **is bad, but I believe is roughly about noon on**
5 **the 19th, and in it, if you turn to the third**
6 **paragraph, the sentence says, "In both files I**
7 **have identified about 75 percent of the**
8 **positions by balance sheet size as being a**
9 **mixture of stocks, ETFs, pref. shares, REITs, et**
10 **cetera." Do you see that?**

11 A. Yes.

12 **Q. Do you know what files you were**
13 **referring to?**

14 A. From my recollection at this point,
15 Sean had sent me some files with a position that
16 were a list of security positions to analyze.

17 **Q. And those were security positions that**
18 **were to be acquired from Lehman; is that**
19 **correct?**

20 MR. THOMAS: Objection to form.

21 A. I mean, that was not my understanding
22 at this point in time. I was reviewing this as
23 a request to provide a valuation on some assets
24 in the way that we would have similar requests
25 with the equity price testing function, as

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1 **HIGHLY CONFIDENTIAL - Washtell**
2 Sean's e-mail says, "Marcus is looking for us to
3 review this data." I was asked to review the
4 data.

5 **Q. But your understanding is the data is**
6 **related to the Lehman transaction, correct?**

7 MR. THOMAS: Objection to form.

8 A. That is not my understanding. We --
9 we looked at a number of different files over a
10 number of different days. I don't know if these
11 files related to what was transacted in the
12 Lehman transaction in the closing of the deal.
13 I don't know that these files relate to the
14 final population.

15 **Q. If you turn your attention to e-mails**
16 **below.**

17 A. Uh-huh.

18 **Q. Does that refresh your recollection**
19 **that the data was related to the Lehman**
20 **transaction?**

21 MR. THOMAS: Objection to form.

22 A. At this point in time, I was reviewing
23 files because I have been requested to review
24 files. As I said before, I wasn't involved in
25 any discussions in relation to the transaction,

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1 **HIGHLY CONFIDENTIAL - Washtell**
2 so ...

3 **Q. Did you understand this to be LBI data**
4 **you were reviewing, as stated in the e-mail from**
5 **Mr. Teague below your response?**

6 A. Pretty sure at the time. I didn't
7 know what LBI was, what it stood for. I'm still
8 unsure what it stands for. I can guess Lehman
9 Brothers something, but ...

10 **Q. This was not a small file, was it,**
11 **that you were asked to review?**

12 A. No.

13 **Q. And you have suspicion it was related**
14 **to the Lehman transaction when asked to review**
15 **huge files of equity positions identified as LBI**
16 **data?**

17 MR. THOMAS: Objection to form.

18 A. I was not involved in any way in
19 discussing the Lehman transaction, so I had no
20 knowledge of a transaction that was occurring,
21 bar what I read in the papers.

22 **Q. You're telling me that you didn't**
23 **understand the exercise Mr. Teague was asking**
24 **you to undertake in a September 19, 2008 e-mail**
25 **where he writes, "Marcus is looking for the**

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1 **HIGHLY CONFIDENTIAL - Washtell**
2 **different price testing groups to review the LBI**
3 **data"?**

4 A. Uh-huh.

5 **Q. "Can you (Equity Price Testing)**
6 **coordinate the stocks and options portion,"**
7 **question mark, you didn't understand that to be**
8 **a request related to the Lehman transaction**
9 **whatsoever?**

10 MR. THOMAS: Objection to form.

11 A. It has no bearing on the work that I
12 did, what LBI means or where these positions
13 were from. Marcus is the manager of the group
14 and has asked us to review some data. At that
15 time, we were reviewing an awful lot of data in
16 relation to the Lehman bankruptcy which had
17 happened a week before where we had counterparty
18 exposure, for instance. The main name being
19 thrown around that week was Lehman Brothers, not
20 for the purposes of analyzing anything in
21 relation to a deal.

22 **Q. Now, in your e-mail back to Mr. Teague**
23 **when you write, "Once" -- do you see, turn to**
24 **the third paragraph in your e-mail to Mr. Teague**
25 **dated September 19, do you see where it says,**

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2 "Once we have final data from the LB guys, we
3 can produce a price test on these positions"; do
4 you see that?

5 A. I do see that.

6 **Q. So you didn't understand, based on**
7 **what you wrote there, that you were going to be**
8 **receiving final data and that what you had**
9 **received to date was preliminary data?**

10 MR. THOMAS: Objection to form.

11 A. That sentence reads like we're
12 expecting a final dataset, and this is a
13 preliminary dataset, but I don't recall the
14 specific discussions at that time. Over a
15 period of days initially before, but more
16 extensively after September 22, I received a lot
17 of files to review.

18 **Q. Related to the Lehman transaction?**

19 MR. THOMAS: Objection to form.

20 A. At some point after the transaction, I
21 was definitely made aware the positions related
22 to that transaction. I don't recall being made
23 aware of that at this point.

24 **Q. Were you involved over the weekend**
25 **before September 22 in connection with the**

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2 MR. THOMAS: Objection to form.

3 A. I do not recall being aware of that
4 before the closing of the transaction.

5 **Q. And --**

6 A. But just to clarify, I was in London
7 at this point. I was not in New York.

8 **Q. And if equity positions are part of a**
9 **repurchase transaction, would your group**
10 **ordinarily be involved in any sort of price**
11 **testing function of the values of any securities**
12 **received in connection with a repurchase**
13 **transaction?**

14 A. Within the firm, so just talking
15 generically within Barclays Capital, where, for
16 instance, our Prime Services business has
17 collateral positions in relating to repo and
18 sort of return swap transactions, then my group
19 may and is in some cases involved in helping to
20 assess the valuation of those collateral assets
21 for or on behalf of the Prime Services Group.

22 **Q. But only with respect to return swap**
23 **transactions, not with respect to tri-party**
24 **repurchase agreements?**

25 A. I'm familiar with some total return

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1 **HIGHLY CONFIDENTIAL - Washtell**
2 **valuing of any positions that were being**
3 **acquired?**

4 MR. THOMAS: Objection to form.

5 A. No, not to my recollection.

6 **Q. Did you receive any schedules with**
7 **pricing information for the equity portfolio**
8 **that had been delivered from Lehman to Barclays**
9 **on September 18 anytime before September 22?**

10 A. Could you repeat the question?

11 **Q. Did you receive any schedules with**
12 **pricing information for the equity positions**
13 **that had been transferred from Lehman to**
14 **Barclays on September 18, that Thursday, anytime**
15 **before the closing of the transaction?**

16 A. I don't know if these positions
17 specifically relate to what was included in the
18 closing of the transaction. I clearly, from
19 this e-mail, received some files with some
20 positions and information in them.

21 **Q. That's fine. Put that document aside**
22 **for now. And I'm asking you, in general, you**
23 **were not aware that a large equity portfolio was**
24 **transferred from Lehman to Barclays on September**
25 **18 prior to the closing of the transaction?**

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2 swap transactions. I'm not familiar with
3 tri-party repo transactions. I know any work we
4 do on behalf of Prime Services is very much us
5 receiving a position file and saying, okay,
6 here's a list of equity assets, I don't really
7 know what they relate to, but you're asking for
8 a valuation, here's a valuation.

9 It doesn't make any difference to us
10 what the -- the assets being held for. We're
11 just being consulted as equity experts to assess
12 the valuation of the position listing.

13 **Q. And upon the delivery of any**
14 **securities on September 18 in connection with**
15 **the repurchase transaction between Lehman and**
16 **Barclays, you were not asked to provide any sort**
17 **of valuation of any of the equity securities**
18 **that were transferred in connection with that**
19 **repurchase transaction; is that correct?**

20 A. I was not asked to do anything in
21 relation to a repurchase transaction.

22 **Q. And as of that point, you cannot**
23 **recall having been asked to ever value any**
24 **securities that were transferred in connection**
25 **with the repurchase transaction; is that**

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1 **HIGHLY CONFIDENTIAL - Washtell**
2 **correct?**

3 MR. THOMAS: Objection to form.
4 A. As of that time -- sorry. As of that
5 time, I don't recall, that's correct.

6 **Q. Any repurchase transaction, not just**
7 **the Lehman/Barclays one; is that correct?**

8 MR. THOMAS: Objection.

9 A. I don't recall at that point in time
10 being asked to review anything in relation to a
11 repurchase transaction.

12 **Q. When your group began the process of**
13 **valuing the equity portfolio that had been**
14 **transferred from Lehman to Barclays, did your**
15 **group have access to the marks at which those**
16 **positions were being held on Lehman's books at**
17 **the time?**

18 A. No.

19 MR. THOMAS: Objection to form.

20 Sorry.

21 A. I don't recall having access to data
22 Lehman Brothers' systems or books.

23 **Q. At the time that your group began its**
24 **valuation of the equity portfolio transferred**
25 **from Lehman to Barclays, did your group have**

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1 **HIGHLY CONFIDENTIAL - Washtell**
2 **access to the marks that Barclays' custodian had**
3 **ascribed to those positions in connection with**
4 **the Lehman/Barclays repurchase transaction on**
5 **September 18?**

6 A. I recall from the files that we
7 received and the data that we analyzed, we were
8 given a price source which was identified as
9 BoNY, to the extent BoNY was a custodian of the
10 repo.

11 **Q. And what did your group do with those**
12 **BoNY prices?**

13 A. Not a great deal. We were asked to
14 independently assess or price test the value of
15 the listing of securities, not to principally
16 assess whether a BoNY price was correct, but to
17 assess the fair value of a list of securities.
18 We would have done that by obtaining independent
19 sources as part of our normal practice.

20 **Q. Would a Lehman price or a BoNY price**
21 **be an example of another available price point**
22 **that could be used in a valuation of the**
23 **securities?**

24 MR. THOMAS: Objection to form.

25 A. The reason I would not use a BoNY

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2 price from a file in assessing an independent
3 valuation of something is our job is to assess
4 it independently. In order to do that, I need
5 to understand what independent external data
6 sources I'm using, where they come from, and
7 what they represent.

8 Now, a price in a file that says this
9 is the value BoNY has in a system, I have no
10 understanding of what that price represents. I
11 have no understanding of how BoNY derives that
12 price. I could say the same of Lehman Brothers.
13 I have no visibility on what that data is, so I
14 would not use it in making an independent
15 assessment.

16 **Q. Is it your understanding that no**
17 **securities are kept on Barclays' books at a**
18 **price that has been ascribed by its custodian,**
19 **BoNY?**

20 MR. THOMAS: Objection to form.

21 A. I'm not aware of anywhere that happens
22 within my agreement, within what I know of the
23 business. In our day-to-day monthly work, we
24 don't look at custodian values as part of our
25 price testing analysis.

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2 **Q. Earlier you had mentioned that there**
3 **were some illiquid equity positions within the**
4 **portfolio transferred; is that correct?**

5 A. Illiquid?

6 **Q. Yes.**

7 A. Correct.

8 **Q. For any illiquid equity securities**
9 **within the equity portfolio, where did your**
10 **group look to gather data for purposes of**
11 **marking those securities?**

12 A. We used the standard sources that we
13 would use within the firm to mark equities. So
14 we went principally to Reuters, being our main
15 source, looked for an exchange closing or last
16 price. In some cases, we may have referenced
17 Bloomberg. Potentially there are other sources.
18 I don't recall the full list.

19 **Q. For an illiquid equity security, it**
20 **didn't seem to make sense to look at the price**
21 **at which a trader familiar with the product who**
22 **had held it on his books had marked it at prior**
23 **to its transfer to Barclays?**

24 MR. THOMAS: Objection to form.

25 A. I couldn't ascribe any level of

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2 independence to that price.

3 **Q. But you didn't consider it at all?**

4 A. No.

5 MR. THOMAS: Objection to form.

6 A. No.

7 **Q. Do you know if a number of the**
8 **illiquid equity securities that may have been**
9 **part of the equity portfolio transferred were**
10 **ultimately -- ultimately ended up on a trading**
11 **book at Barclays -- scratch that. Bad question.**

12 **Do you know if any former Lehman**
13 **traders that went over to Barclays after the**
14 **sale ended up with positions on their books that**
15 **they had previously owned while at Lehman prior**
16 **to the sale?**

17 A. I don't know.

18 **Q. But you would expect that there would**
19 **be former Lehman traders that went over to**
20 **Barclays and ran a book with similar positions**
21 **to what they had had on their books at Lehman;**
22 **is that correct?**

23 MR. THOMAS: Objection. Foundation.

24 Asked and answered.

25 THE WITNESS: Do I need to answer

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2 that?

3 MR. THOMAS: Yes, if you can.

4 A. What was the question again? Sorry.

5 **Q. You would expect that some of the**
6 **former Lehman traders that went over to Barclays**
7 **would end up with some of these positions that**
8 **had been transferred over on their book once**
9 **they arrive at Barclays; is that correct?**

10 MR. THOMAS: Objection. Foundation.

11 Asked and answered.

12 A. It's not necessarily a
13 straightforward, reasonable assumption to make.
14 The positions would be risk-managed by the
15 business in the way they see fit, and I was not
16 privy to that information or that decision.

17 **Q. I'm not asking about whether they were**
18 **risk-managed, and so maybe it's just a matter**
19 **of terminology.**

20 A. Well, you're asking me where they were
21 booked.

22 MR. THOMAS: Let her finish.

23 **Q. I'm asking whether a desk might have**
24 **on it some former Lehman employees that had**
25 **previously had primary responsibility for the**

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2 **assets while at Lehman and now again primary**
3 **responsibility for trading those assets while at**
4 **Barclays?**

5 MR. THOMAS: Same objection.

6 A. Sorry. Could you just repeat that
7 again?

8 (Record read.)

9 A. There's nothing that I can confirm. I
10 don't know that was the case. I don't know what
11 role traders had at Lehman relative to what role
12 they now have at Barclays or what trading books
13 those assets have been booked in post the
14 acquisition. I could conjecture whether or not
15 that would be a reasonable thing.

16 **Q. To the extent that Barclays, prior to**
17 **the acquisition, as you said before, did not**
18 **have a cash equity business, would you expect**
19 **that the people, immediately upon the**
20 **acquisition of those assets that would be**
21 **trading those assets, were coming over from**
22 **Lehman?**

23 MR. THOMAS: Objection to form.

24 A. A group of traders, trading staff,
25 moved from Lehman to Barclays. It's my

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2 understanding not all staff did. I don't know
3 who did, who didn't, what their responsibilities
4 were before relative to after. It's not
5 something I'm aware of or was involved in.

6 **Q. You had said before that in the**
7 **ordinary course of price testing, you would have**
8 **communication with the traders about pricing.**

9 **Is that not a source that you would**
10 **consult in the process of price testing?**

11 MR. THOMAS: Objection to form.

12 A. As part of our normal process, as I
13 described, we would discuss our analysis with
14 the trading desk.

15 **Q. And so --**

16 A. I recall --

17 MR. THOMAS: Let him finish.

18 MS. CARRERO: I will. I thought he
19 was done.

20 A. I recall we may have had discussions
21 with the Barclays trading desk in London. I
22 don't recall having discussions with anyone from
23 Lehman trading in New York.

24 **Q. What about any Lehman counterparts**
25 **at -- and their equivalent of IVC?**

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A. As I said previously, some staff were engaged in obtaining data at my direction, but that was very much an operational thing, them responding to a request from me to obtain certain information.

Q. And do you know what sort of data was being requested?

A. Price data.

Q. So price data was being requested but then not being used, is that correct?

MR. THOMAS: Objection to form.

A. No, I'm not saying it wasn't being used. I'm saying I may have asked staff from the U.S. IVC team who were listed in the document you showed me earlier to source independent data. For example, Go and source me these prices from Bloomberg for this date, please," and that would have been done from an operational perspective to share the work amongst the global team at that point rather than me asking someone in London to do it. I would not have been asking for anything from a Lehman system. I don't recall ever asking for any information from Lehman's system.

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Q. So you're not familiar with a system called GFS?

MR. THOMAS: Objection to form.

A. Not in anything other than I've heard GFS before. I have no idea specifically what it does or is used for.

Q. Same question as with respect to the Bank of New York marks. With respect to the JPM marks that were available in connection with a September 17 repurchase agreement between Lehman and the Fed, were the JPM marks used in any way in equity IC -- IVC's valuation of the equity portfolio?

MR. THOMAS: Objection to form.

A. I don't recall using any JPMorgan marks in our analysis.

Q. Do you recall seeing those marks?

A. I don't recall seeing those marks.

Q. Mr. Washtell, I'm putting before you what has been marked as Deposition Exhibit 806B. Have you seen this document before?

A. Yes, I believe so.

Q. And you see it says, "Product Control, Price Testing Policy, date: May 2009"; is that

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correct?

A. That's what it says.

Q. Is this a policy that was put in place after the Lehman transaction?

A. The firm had a process and policy prior to the Lehman transaction. The date of this document suggests the version you have is after the transaction.

Q. But to your knowledge, there was a written policy in place dated at the time of the transaction; is that correct?

A. That's correct, and I assume you have the version controlling here somewhere. I'm not sure where, but ...

It doesn't help because it doesn't have a date. Yes, we had a process and policy in place prior to the Lehman transaction.

Q. And in this policy is a Central Price Testing guidance, correct?

A. It's a global, firm-wide policy.

Q. As opposed to a policy that is specific to just the Equity IVC Group, correct?

A. Any equity-specific documentation would be consistent with this policy, but this

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is a global, firm-wide cross-asset policy.

Q. You can put that one aside, and I'm going to give you what has been marked as Deposition Exhibit 805B.

Have you seen this document before?

A. Yes.

Q. And you see it says "Barclays Capital Provisioning Policy Statement, December 2008, Product Control"; is that correct?

A. That's what it says.

Q. And this policy is dated after the Lehman acquisition; is that correct?

A. That's correct.

Q. Was there a provisioning policy, a written provision policy statement in place at the time of the Lehman acquisition?

A. Yes.

Q. Do you know if it differs at all from this document?

A. I don't know that specifically.

Q. Were the bid/offer adjustments taken to any equity products taken pursuant to this policy in front of you which has been marked as Deposition Exhibit 805B?

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A. Any bid/offer adjustments that were taken would have been taken in line with this policy. This is the policy within which we operate within the firm.

Q. Do you know if the policy that existed prior to this was at all different and, if so, whether adjustments were taken with respect to this policy or an earlier policy?

A. At what time?

Q. For purposes of the acquisition balance sheet.

A. For purposes of --

Q. Which policy was followed, this December 2008 policy or its predecessor policy, if any policy at all?

A. The policy that was followed was the policy that would have been in place at the time of the acquisition.

Q. Could you turn to page 5. Would the bid/offer adjustments that were taken on any of the equity positions acquired for purposes of acquisition accounting been taken under 5, Bid/Offer Adjustments (Level 1: Price Testing)?"

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A. That's my understanding, yes, they would.

Q. You can put that aside.

Do you know if any of the equity positions that were transferred to Barclays on September 18 were hedged prior to the closing of the transaction?

MR. THOMAS: Objection to form.

A. I'm not aware of that. I have no knowledge of that.

Q. If any of the positions had been hedged prior to the closing of the transaction, would a bid/offer adjustment have been taken for any of those cash equity positions?

MR. THOMAS: Objection to form.

A. Could you repeat the question?

Q. If any of the positions that had been hedged prior to the closing of the transaction, would it be proper in those instances to take a bid/offer adjustment on those cash equity positions?

MR. THOMAS: Objection to form.

A. For what purposes? For the purposes of the opening balance sheet?

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Q. Let's start there, for the purposes of the opening balance sheet.

A. It's my understanding for the opening balance sheet we had, and I was provided, a position listing of securities which I was asked to arrive at a fair value. There was nothing in relation to positions that were hedged or not hedged or any other positions. They were just a position listing, a portfolio of securities for which we needed to derive an appropriate fair value.

Q. For other purposes, I guess for the next day's mark of those securities, if there had been a hedge for that security, would a bid/offer adjustment be applied to a cash equity position?

MR. THOMAS: Objection to form.

A. Are we talking about in the normal course of business?

Q. In the normal course of business.

A. And depends what we mean by "hedge."

You have a cash equity position. By "hedge" do you mean sell the position and you no longer have a position, or do you mean "hedge"

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by using some other financial instruments, be they futures, forwards, on indices or on stocks? It would --

Q. I mean --

A. -- depend.

Q. -- for example, how you earlier said a number of the cash equity positions that would have been in SOPHIS prior to the acquisition would not have had a bid/offer adjustment to them because they were hedging another position?

A. A derivative book, yes.

Q. A derivative book in that instance.

If any of the equity portfolio positions acquired from Lehman were hedged prior to the closing of the transaction, would they, for purposes of SOPHIS, have a bid/offer adjustment embedded in the mark?

MR. THOMAS: Objection to form.

A. Just to clarify, first of all, I don't have any knowledge of whether anything was traded to hedge anything over that time period. If a position was put into SOPHIS to act as a derivative hedge to some positions, it would be included in our standard procedures processes

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<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 for assessing bid/offer.</p> <p>3 Q. I'm trying to understand what those</p> <p>4 standard procedures are. Are those standard</p> <p>5 procedures that if a cash equity is acting as a</p> <p>6 hedge to, for instance, a derivatives portfolio,</p> <p>7 no bid/offer adjustment would be taken in those</p> <p>8 instances?</p> <p>9 A. As I said previously, our cash equity</p> <p>10 positions prior to the transaction were all</p> <p>11 acting as hedges for the derivative portfolio,</p> <p>12 in which case the application of fair value and</p> <p>13 bid/offer adjustments for all that derivative</p> <p>14 portfolio would be done on a portfolio level on</p> <p>15 a risk-parameter basis. Stocks would not be</p> <p>16 looked at in isolation. They would be looked at</p> <p>17 as part of that portfolio.</p> <p>18 Q. If it is an equity position that has</p> <p>19 an observable market price on Bloomberg and</p> <p>20 Reuters and it's acting as a hedge to a</p> <p>21 derivatives portfolio, would there be a</p> <p>22 bid/offer adjustment to that equity position or</p> <p>23 not if you looked that CUSIP up in SOPHIS?</p> <p>24 MR. THOMAS: Objection to form.</p> <p>25 A. As I said, we would apply bid/offer</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 provisions to the portfolio while looking at the</p> <p>3 portfolio risk factors as a whole. To the</p> <p>4 extent the stock position is there to delta</p> <p>5 hedge the derivative portfolio, there would be a</p> <p>6 zero or small residual delta risk position.</p> <p>7 The principal risk factors through</p> <p>8 which we would take a bid/offer adjustment would</p> <p>9 be things like volatility or Vega exposure,</p> <p>10 Epsilon or dividend exposure. This is the</p> <p>11 standard practice the way we would assess fair</p> <p>12 value and assess bid/offer provisions for a</p> <p>13 derivative book.</p> <p>14 Q. But you did not look at whether or not</p> <p>15 the equity positions that were transferred from</p> <p>16 Lehman to Barclays were hedged at the time that</p> <p>17 you were -- that you undertook the valuation of</p> <p>18 the securities; is that correct?</p> <p>19 MR. THOMAS: Objection to form.</p> <p>20 A. I did not look at whether the</p> <p>21 portfolio was hedged in our analysis.</p> <p>22 Q. Do you know, for purposes of what the</p> <p>23 mark would have been in SOPHIS for any of the</p> <p>24 equity positions on September 23, how those</p> <p>25 marks were arrived at?</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 MR. THOMAS: Objection to form.</p> <p>3 A. What positions are we talking about?</p> <p>4 Q. We're talking about the equity</p> <p>5 positions that were transferred from Lehman to</p> <p>6 Barclays. As I understand it, your group worked</p> <p>7 on valuations for the opening day balance sheet;</p> <p>8 is that correct?</p> <p>9 A. That is correct.</p> <p>10 Q. With respect to SOPHIS and the values</p> <p>11 that would be entered in SOPHIS on September 22</p> <p>12 or September 23, take your pick --</p> <p>13 A. Uh-huh.</p> <p>14 Q. -- where do those values come from?</p> <p>15 A. One point to clarify is I'm not sure</p> <p>16 those positions were booked in SOPHIS on</p> <p>17 September 22 or 23 or 24. It took a period of</p> <p>18 time just to book the population into our</p> <p>19 systems, and that was not -- it wasn't a short</p> <p>20 period of time. It took some time because of</p> <p>21 the difficulties of things like establishing</p> <p>22 standard data, et cetera.</p> <p>23 To the extent the positions were</p> <p>24 booked in SOPHIS, they would be valued using</p> <p>25 standard pricing feeds which SOPHIS receives on</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 a daily basis, for example, from Reuters.</p> <p>3 Q. And what sort of bid/offer adjustment</p> <p>4 would be taken on the positions once they do get</p> <p>5 booked into SOPHIS?</p> <p>6 MR. THOMAS: Objection.</p> <p>7 A. Bid/offer adjustments are something</p> <p>8 that are assessed generally outside of the</p> <p>9 trading systems on a periodic basis, be that</p> <p>10 monthly, be that quarterly. It's an off-line,</p> <p>11 separate calculation.</p> <p>12 So on the day that you book a position</p> <p>13 into a trading book, you don't book a bid/offer</p> <p>14 reserve into the trading system with that</p> <p>15 position. It's something that necessarily,</p> <p>16 because of the way things operate, is done</p> <p>17 separately.</p> <p>18 Q. And what determines whether that</p> <p>19 bid/offer reserve is booked on a monthly versus</p> <p>20 a quarterly basis, for instance?</p> <p>21 A. I think, generally, it would be done</p> <p>22 on a monthly basis.</p> <p>23 Q. For purposes of generating</p> <p>24 month-end --</p> <p>25 A. Exactly.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

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2 Q. -- balance sheet?

3 And who generally determines what the
4 appropriate bid/offer reserve to be booked is?
5 Would that be your group?

6 A. We would certainly be involved, yes,
7 along with the Product Control Group, along with
8 the trading desk.

9 Q. When you say Product Control Group,
10 you're distinguishing the IVC function of PCG
11 from which other area of PCG?

12 A. For example, the Equities Product
13 Control Team, who would be principally engaged
14 in profit and loss reporting, for instance.

15 Q. And was it also the Equities Product
16 Control Team's responsibility to generate any
17 month-end equity-related balance sheets?

18 A. Depending for what purpose that
19 information was needed, they may be involved.

20 Q. And for purposes of calculating the
21 bid/offer reserve calculation for any of the
22 assets, the equity assets purchased from Lehman,
23 were the businesses or the Product Control Group
24 involved in calculating the bid/offer reserves?

25 A. For the opening balance sheet?

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2 Q. For the opening balance sheet.

3 A. No, from my recollection, they were
4 not involved.

5 Q. Was it your team alone, then, that was
6 involved in calculating the bid/offer reserves
7 taken for purposes of the opening balance sheet?

8 A. It was our team in conjunction with
9 extensive discussion and review with
10 PricewaterhouseCoopers, the external auditors.

11 Q. Does PricewaterhouseCoopers usually
12 determine what Barclays' bid/offer reserve will
13 be for equity positions?

14 A. No, but they review and audit all of
15 our calculations, methodology assumptions and
16 analysis and review all of those numbers as part
17 of their normal course of business.

18 Q. And do they review all of the
19 positions or do they just take a sample set of
20 positions?

21 A. Depends what they are reviewing. They
22 would review numbers, generally, in total. So
23 they would look at totality of the balance
24 bid/offer reserves.

25 Q. But here do you know whether they

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2 reviewed a sample set of the equity positions or
3 if they reviewed all of them?

4 A. They were provided the data for all
5 positions. I know they definitely did in-depth
6 sample-based analysis as well.

7 Q. So you know of only a sample-based
8 analysis, not an analysis of its entirety?

9 A. No, I said they were provided with all
10 of the information for all positions. What they
11 did with that specifically I'm sure is
12 documented in their work papers.

13 Q. Do you know if any of the equity
14 positions that were transferred from Lehman to
15 Barclays were originally booked into Barclays'
16 systems at the prices that its custodian, BoNY,
17 had marked them at for purposes of the
18 Lehman/Barclays repo?

19 A. I'm not aware of what prices they were
20 booked into the system at. I don't recall.

21 Q. Do you have any reason to believe, if
22 Barclays receives the equities on September 18
23 in connection with the repurchase transaction,
24 that they would not have been free to trade
25 those securities upon receipt?

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2 MR. THOMAS: Objection. Form.

3 A. I don't have any knowledge of that. I
4 don't know.

5 Q. Do you know when Barclays was able to
6 transfer -- sorry. Do you know when Barclays
7 was able to trade any of the securities that
8 were transferred to it from Lehman?

9 A. No, I'm not aware of that.

10 Q. So the tradability of the securities
11 did not dictate the valuation date that you used
12 for purposes of valuing the securities; is that
13 correct?

14 MR. THOMAS: Objection to form.

15 A. It was not a consideration in my use
16 of that date.

17 Q. And the cash equity positions were
18 originally valued by your group using a
19 valuation date of September 19; is that correct?

20 A. In the analysis, we --

21 MR. THOMAS: I'm sorry. Objection to
22 form.

23 A. The analysis we performed on its
24 opening balance sheet, as I said, occurred over
25 a period of time, significant period of time,

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2 running to a few months. For those purposes, we
3 obtained prices for various dates.

4 We definitely had price data for 9/19
5 as well as 9/22 as well as other dates.

6 **Q. Ultimately, the price used for**
7 **purposes of acquisition accounting for the cash**
8 **equity positions is a 9/22 close date, is that**
9 **correct?**

10 A. That's correct.

11 **Q. Do you know at what point a change was**
12 **made from using a September 19 close date to a**
13 **September 22 close date?**

14 MR. THOMAS: Objection to form.

15 Assumes facts not in evidence.

16 **Q. Go ahead and answer.**

17 A. I'm not sure what change you're
18 talking about in terms of we initially did
19 something. You're suggesting we did something
20 on the 19th and then made a decision to change
21 on the 22nd.

22 In relation to the opening balance
23 sheet, it's my understanding the transaction
24 closed on the morning of September 22. We were
25 asked to value the portfolio as of the

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2 A. That's not my understanding, and I
3 don't recall being told a specific time that the
4 close happened. I do recall that we had the
5 objective of trying to value a portfolio of
6 assets as at the open on September 22.

7 Now, the way that we would do that,
8 and the only reasonable way to do that, is to
9 look at the closing price information for
10 September 22 because you don't have reliable
11 opening information September 22.

12 **Q. Did you and your group undertake to**
13 **analyze the movement in the market, if any, from**
14 **close of business on September 19 to open of the**
15 **market on September 22?**

16 A. Could you just repeat that, sorry,
17 just so I have the dates?

18 **Q. Did you and your group undertake to**
19 **analyze the movement in the market, if any, from**
20 **the close of business on September 19 to the**
21 **open of business on September 22?**

22 MR. THOMAS: Objection to form.

23 A. In the market generally?

24 **Q. In the equities market.**

25 A. Do I recall specific analysis on that?

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1 HIGHLY CONFIDENTIAL - Washtell
2 opening -- the opening balance sheet at the
3 closing of the transaction.

4 Given my understanding that it closed
5 on the morning of September 22, the most
6 reasonable time to assess the valuation of the
7 portfolio would be the close of business on
8 September 22.

9 **Q. It's your understanding that the**
10 **closing happened before the UK opened, correct?**

11 A. I don't know the exact time.

12 **Q. You understand it to be prior to the**
13 **close, correct, on September 22?**

14 MR. THOMAS: Objection to form.

15 The closing happened prior to the
16 close?

17 **Q. The close of the market. I'm sorry.**

18 A. The closing of the transaction, it's
19 my understanding, happened prior to the close of
20 the market on September 22.

21 **Q. And is your understanding that the**
22 **close of the transaction happened before the**
23 **open of the market in the U.S.?**

24 MR. THOMAS: Objection to form.

25 Foundation.

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1 HIGHLY CONFIDENTIAL - Washtell
2 No.

3 **Q. Did you or your group undertake an**
4 **analysis of what movement would have occurred**
5 **from September 22 open to the September 22 close**
6 **of business to determine what sort of market**
7 **movement there was and how that would affect the**
8 **price valuation exercise?**

9 MR. THOMAS: Objection to form.

10 A. To answer your second point, it
11 wouldn't have any effect on the analysis we did
12 or the valuation we arrived at, and the reason
13 for that is when we're being asked, which we
14 regularly are, to value positions at a certain
15 point in a day, it doesn't matter to us what
16 point of time during the day that transaction
17 happened because the only time we have reliable
18 information is the close of business. We don't
19 have reliable information at the open of
20 business.

21 So if I'm asked as part of my normal
22 course of work practice to value a position on a
23 given day, I'm going to default by looking at
24 the closing price information.

25 **Q. For months, though, you and your group**

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1 **HIGHLY CONFIDENTIAL - Washtell**
2 **were valuing it using a close of business**
3 **September 19th date; is that correct?**

4 MR. THOMAS: Objection to form.

5 A. As I said before, I know we analyzed
6 various days' data. I don't recall.

7 **Q. And do you recall who made the**
8 **decision to ultimately use a September 22 close**
9 **date as opposed to a September 19 closing date?**

10 A. I don't recall a specific person
11 making a specific decision. I recall that we
12 were instructed, for want of a better word, that
13 we should be trying to obtain a valuation for
14 the open of September 22.

15 As I say, I think the most reasonable
16 data point to look at for that is the close of
17 business September 22. I know -- my belief this
18 is something that was discussed extensively with
19 our auditors, which is something which they
20 supported and agreed was the appropriate, most
21 reasonable thing to do.

22 **Q. Are you aware that the closing date is**
23 **defined within the Asset Purchase Agreement**
24 **governing the transaction as 12:01 A.M. on**
25 **September 22?**

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1 **HIGHLY CONFIDENTIAL - Washtell**
2 available information. I'm not sure I quite
3 understand you're saying if a trade happened on
4 September 30th, would we use the opening price
5 on October 1 then?

6 **Q. Let's go with a different example. If**
7 **you are fair-valuing a position?**

8 A. Uh-huh.

9 **Q. Which is a willing buyer, a willing**
10 **seller concept; is that correct?**

11 A. Yes. Yes.

12 **Q. Do you consider that concept to have**
13 **embedded in it a concept that that willing buyer**
14 **and willing seller at that point in time have**
15 **certain information available to it that drives**
16 **the value that they are willing to buy and sell?**

17 MR. THOMAS: Objection to form.

18 A. Okay. Market participants have
19 information which will influence the level at
20 which they're willing to buy and sell at a given
21 point in time.

22 **Q. Does a willing buyer or seller have**
23 **access to information that's not available until**
24 **after that time, that point in time?**

25 MR. THOMAS: Objection to form.

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2 MR. THOMAS: Objection to form.

3 A. I was not aware of that and I haven't
4 read that particular document. As I said, I
5 don't recall at the time being told of any
6 specific point in time other than the open. I
7 don't mean a -- I mean a time of day I don't
8 recall.

9 **Q. In the ordinary course, would you use**
10 **pricing information from after the valuation**
11 **date for purposes of valuing a security?**

12 MR. THOMAS: Objection to form.

13 A. After the valuation date? So give me
14 a for example.

15 **Q. For example, if you were valuing a**
16 **security in a different time zone where the**
17 **valuation date would be -- let's pick September**
18 **30th, and you would have no or little**
19 **information other than from markets that**
20 **opened -- an opening price on October 1, let's**
21 **say.**

22 **Would you use that kind of ex post**
23 **information in a valuation exercise?**

24 MR. THOMAS: Objection to form.

25 A. We would otherwise consider the
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1 **HIGHLY CONFIDENTIAL - Washtell**

2 A. Does someone have available
3 information -- sorry. Does someone have
4 availability to information that's not available
5 at that point in time I think is your question?

6 **Q. Let's rephrase that to say if a**
7 **willing buyer or seller does not have**
8 **availability to information at the time, is it**
9 **fair to say that that would not be information**
10 **that they would be taking into consideration in**
11 **connection with the transaction?**

12 MR. THOMAS: Objection to form.

13 A. Yes, I think you've said the same
14 thing. The parties have access to information
15 that is available at a point in time. They
16 don't have access to information that's
17 available or for something that's going to
18 happen in two hours' time, so ...

19 **Q. So a willing buyer and seller at 12:01**
20 **A.M. on September 22nd would not have access to**
21 **information about what the closing price would**
22 **be on September 22; is that correct?**

23 MR. THOMAS: Objection to form.

24 A. Is it correct at 12:01 that a market
25 participant would not know the closing price for
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2 the close of business that day? That's your
3 question?

4 **Q. Yes.**

5 A. I think that's correct.

6 (Exhibit 818, a document bearing Bates
7 Nos. PwC-BarCap71528 through 71531, marked
8 for identification, as of this date.)

9 THE WITNESS: Can we take for about
10 two minutes?

11 (Recess; Time Noted: 12:16 P.M.)

12 (Time Noted: 12:22 P.M.)

13 BY MS. CARRERO:

14 **Q. Mr. Washtell, are you aware of what**
15 **the difference is in a valuation of the equity**
16 **portfolio using a September 19 date as opposed**
17 **to a September 22 date?**

18 A. From a monetary perspective?

19 **Q. From a monetary perspective, yes.**

20 A. I'm not aware of the exact number. I
21 can't recall.

22 **Q. Can you ballpark it for me?**

23 MR. THOMAS: Objection to form.

24 A. Not reasonably.

25 **Q. If I told you it was around 700**

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1 **HIGHLY CONFIDENTIAL - Washtell**
2 **million, would that sound about right?**

3 MR. THOMAS: Objection to form.

4 A. Sounds a little high.

5 (Exhibit 819, a document bearing Bates
6 Nos. BCI-EX-(S)-218502 through 218503,
7 marked for identification, as of this date.)

8 (Document review.)

9 A. Okay.

10 **Q. Mr. Washtell, have you had an**
11 **opportunity to read over Deposition Exhibit 819?**

12 A. Yes.

13 **Q. And you see that it is an e-mail from**
14 **your boss, Marcus Morton, dated December 12 to**
15 **PwC related to the valuation of the equity**
16 **portfolio; is that correct?**

17 A. It looks to be an e-mail from Marcus
18 Morton to John Holloway tied to the Lehman
19 equity portfolio.

20 **Q. And do you see where Mr. Morton**
21 **writes, "The legal deal closed on 9/19"?**

22 A. Yes.

23 **Q. Do you see where he then says, "The**
24 **first Lehman equity portfolio was received by**
25 **Barclays on September 22, to settle same day"?**

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2 A. Yes, I see that.

3 **Q. Do you have any reason to believe that**
4 **the equity positions in the Lehman/Barclays repo**
5 **were not delivered prior to September 22?**

6 MR. THOMAS: Objection to form.

7 A. I have no knowledge of the delivery
8 specifics.

9 **Q. So you have no knowledge whether they**
10 **were delivered on September 18 as opposed to**
11 **September 22?**

12 MR. THOMAS: Objection to form.

13 A. I have no knowledge of the specific
14 delivery date.

15 **Q. Do you see, if you turn to the second**
16 **page, the paragraph starting "combining these**
17 **together would reach an adjustment of at least**
18 **\$667 million at the least conservative**
19 **assumption, or \$799 million, using the full bid**
20 **to offer. This compares with our original**
21 **estimate of \$808 million"?**

22 A. I see that, yes.

23 **Q. Do you know what that refers to?**

24 MR. THOMAS: Objection to form. Lack
25 of foundation.

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1 **HIGHLY CONFIDENTIAL - Washtell**

2 A. I don't recall what this refers to. I
3 wasn't on the e-mail, so I don't recall.

4 (Exhibit 820, a document bearing Bates
5 Nos. PwC-BarCapWP_00021953 through 22931,
6 marked for identification, as of this date.)

7 **Q. Mr. Washtell, you have before you what**
8 **has been marked Deposition Exhibit 820?**

9 A. Okay.

10 **Q. Do you see that?**

11 A. I do see it, yes.

12 **Q. It's a big document, and it is titled**
13 **"[BoNY] PV of equity financial assets (UK)." Do**
14 **you see that?**

15 A. I see that, yes.

16 **Q. And do you see under "Tailored**
17 **Procedures" it says, "The PwC Barclays team in**
18 **the UK has been instructed to price test the**
19 **equity securities that were purchased from**
20 **Lehman as they have been engaged in the past to**
21 **price test the legacy Barclays equity**
22 **securities"?**

23 A. I see that, yes.

24 **Q. And do you see that this is a document**
25 **that has been produced by PwC based off of a tag**

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<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 at the bottom?</p> <p>3 MR. THOMAS: Objection to form.</p> <p>4 Q. I will just for the record say it's</p> <p>5 been produced by PwC, and the starting Bates</p> <p>6 number is PwC-BarCapWP_00021953.</p> <p>7 If I could have you turn to the page</p> <p>8 that is Bates-stamped 0021960. Actually, if you</p> <p>9 could start two pages before that at the page</p> <p>10 ending 958, and --</p> <p>11 A. And 960? Do you want me to read also?</p> <p>12 Q. Just if you could look over those</p> <p>13 three pages.</p> <p>14 (Document review.)</p> <p>15 A. Okay.</p> <p>16 Q. Do you see on the page ending 958,</p> <p>17 number 1, which is written in an e-mail dated</p> <p>18 January 7, 2009, and says, "Prices for equities</p> <p>19 are to be revised from those of 9/19 to 9/22"?</p> <p>20 A. Yes, I see that.</p> <p>21 Q. And then do you see on the page of the</p> <p>22 document ending 960, a chart that bottom line</p> <p>23 says, "Net Increase/(Decrease)" which totals a</p> <p>24 decrease of \$685,736,298?</p> <p>25 A. Yes, I see that.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 Q. Could you explain to me what this</p> <p>3 chart is totaling?</p> <p>4 MR. THOMAS: Objection. Form.</p> <p>5 Foundation.</p> <p>6 A. From looking at this, this looks like</p> <p>7 an analysis of the valuation of the equity</p> <p>8 portfolio at various points in time explaining</p> <p>9 the movement from 9/19 to 9/22.</p> <p>10 Q. And how much of a movement was there</p> <p>11 from 9/19 to 9/22 based off of this analysis?</p> <p>12 MR. THOMAS: Objection to form.</p> <p>13 Foundation.</p> <p>14 A. I see 274,242,335 plus 29,318,981,</p> <p>15 makes about 314.</p> <p>16 Q. So a total of --</p> <p>17 A. Just reading from this report.</p> <p>18 Q. Approximately 314 million would be a</p> <p>19 move from using 9/19 mid prices to the use of a</p> <p>20 9/22 mid price at close of business for both</p> <p>21 days; is that correct?</p> <p>22 MR. THOMAS: Objection to form. Lack</p> <p>23 of foundation.</p> <p>24 A. This report seems to be saying that</p> <p>25 market value changed equities 09/19 to 09/22,</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 which I believe would be based on the last price</p> <p>3 because you have a bid/offer calculation below.</p> <p>4 That shows that that market value change for</p> <p>5 equities was 274 million, and that same market</p> <p>6 value change for converts was 29 million.</p> <p>7 Q. And where does the remainder of the</p> <p>8 decrease of approximately 685 million come from</p> <p>9 in addition to moving the valuation date from</p> <p>10 September 19 to September 22?</p> <p>11 MR. THOMAS: Objection to form.</p> <p>12 Foundation.</p> <p>13 A. I'm not sure because I can't see</p> <p>14 numbers that cast to 685 on this schedule.</p> <p>15 Q. Looking again at the line titled "Net</p> <p>16 Increase/(Decrease)"?</p> <p>17 A. Uh-huh.</p> <p>18 Q. Does that not --</p> <p>19 A. That seems to be comparing, what, 7993</p> <p>20 to 7611, but it's not quite doing that, is it?</p> <p>21 No, it's comparing 7611 with 8297, I</p> <p>22 guess.</p> <p>23 Q. Is it --</p> <p>24 A. It would appear to add in the 382</p> <p>25 under the "Bid/Offer Equities" line.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 Q. And what change is being made to the</p> <p>3 "Bid/Offer" line as a consequence of a change in</p> <p>4 valuation date from 9/19 close of business to</p> <p>5 9/22 close of business?</p> <p>6 MR. THOMAS: Objection to form.</p> <p>7 Foundation.</p> <p>8 A. I don't believe there is a change.</p> <p>9 That's just stating that that's the bid/offer</p> <p>10 for the equities as calculated, I'm assuming,</p> <p>11 for 9/22.</p> <p>12 Q. So the change in valuation date has no</p> <p>13 impact on the bid/offer adjustment that's being</p> <p>14 taken; is that correct?</p> <p>15 MR. THOMAS: Objection to form. Vague</p> <p>16 and foundation.</p> <p>17 A. When you say "change in valuation</p> <p>18 date," I don't recall assessing a bid/offer</p> <p>19 adjustment for 9/19.</p> <p>20 Q. Okay.</p> <p>21 A. I recall assessing the appropriate</p> <p>22 fair value of a bid/offer adjustment for 9/22.</p> <p>23 If you were to do that for 9/19, I don't know</p> <p>24 how different it would be.</p> <p>25 Q. Would you expect that --</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

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A. If it would be different materially at all, I don't know.

Q. You don't know whether it would or would not be different if you were to calculate the bid/offer as of September 19 as opposed to as of September 22 close of business; is that correct?

A. It's not something that we looked at or considered, so I don't know.

Q. Would you expect it to be different if different dates were being used to calculate the bid/offer adjustment?

A. Potentially, but a lot of factors would go into determining that.

Q. Could you identify what factors would go into identifying if the date would play a role in affecting the bid/offer adjustment to be taken?

A. Well, given the position is the same, and that's going to be the largest driver of the bid/offer is the position on the book, and the only change would be how you interpret or calculate a bid/offer spread.

If you were to use a query data for
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9/19, could that lead you to slightly different spread calculations than you observed on 9/22? Potentially.

Q. Do you know if the market -- based on of the decrease in value from September 19 close to September 22 close, is it your understanding that the market was up on September 19?

MR. THOMAS: Objection. Form.

A. I don't know where the market is on September 19 and I don't know you can infer anything from this to suggest what the market did on September 19.

Q. You don't understand that the midpoint values calculated by your group for September 19 is approximately 300 -- I think you had added this as 314, but I think it might be actually 304 million, if you would take a look again at the --

A. You're correct. My arithmetic is out slightly.

Q. I can't take all the credit, but...

Wouldn't this chart suggest that the midpoint valuations that your group had calculated for the equity portfolio as of close
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of business 9/19 is approximately \$304 million higher than it was at close of business September 22?

MR. THOMAS: Objection. Form.

A. This suggests, based on the closing last price information that we had available, that the movement in the value of the positions between 9/19 and 9/22 was \$304 million.

Q. And so based off of a move of \$304 million, would you not say that the market for those positions you were valuing was up on September 19 as opposed to where it was by the close of business on September 22?

MR. THOMAS: Objection to form.

That's a different question.

A. I still think this number has no bearing on whether the market was up or down on September 19. It says nothing about where the market was on that day.

Q. For those positions?

A. Other than relative to 9/22. It doesn't tell you when the market is up or down on September 19, and that is how I understand your question. And your initial question was

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does this suggest the market is up on 9/19.

MR. THOMAS: And this is irrelevant to that?

THE WITNESS: Yes, and that's my point.

Q. I'm asking simply the price for these positions based on the mid value -- the midpoint values that your group came up with for 9/19 indicates that the price was better for those positions on 9/19 than they were by close of business September 22?

MR. THOMAS: That's not the question you asked. That's a different question.

A. Define "better." I mean --

Q. \$304 million better, higher on Friday, September 19; is that correct?

MR. THOMAS: Objection to form.

A. What this suggests to me, I'll paraphrase into my words maybe to clarify, is the valuation based on closing last prices on 9/19 was higher than the closing valuation based on closing last prices on 9/22 by \$304 million. Does that answer what ...

Q. Were you one of the principal or the

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1 **HIGHLY CONFIDENTIAL - Washtell**
2 **principal liaison with PwC with respect to the**
3 **equity portfolio acquired by Barclays from**
4 **Lehman?**

5 A. In terms of discussing the detailed
6 analysis that they did, yes. The people they
7 had -- Polly I think was the principal contact,
8 Polly Ng, listed in the front of this document,
9 and I was principally engaged with her, helping
10 them in their assessment of the work we did in
11 relation to the equity portfolio.

12 **Q. Do you have any reason to believe that**
13 **this chart that we were looking at on page**
14 **Bates-stamped 1 -- sorry, Bates-stamped ending**
15 **960 does not accurately reflect the data that**
16 **you had provided to PwC?**

17 MR. THOMAS: Objection to form.

18 A. If this is an official work document
19 from PwC, I have no reason to suggest it's
20 incorrect in any way, but I have not seen this
21 document before, so -- as in this PwC work
22 paper.

23 **Q. And if you turn to the page ending 57,**
24 **which is starting at the page before that at 56,**
25 **that's where the e-mail starts, there is an**

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1 **HIGHLY CONFIDENTIAL - Washtell**
2 **e-mail from Polly Ng dated January 8, 2009 to**
3 **other individuals at PwC. Do you see that?**

4 A. Halfway down page 56, that one?

5 **Q. Yes.**

6 A. Yes.

7 **Q. Do you want to take a moment and read**
8 **that e-mail?**

9 A. Sure.

10 (Document review.)

11 A. Okay.

12 **Q. Do you see the first line where it**
13 **says, "Lynsey refers your request re Lehman**
14 **equities valuation to me and I have briefly**
15 **discussed with Mark"?**

16 A. Yes.

17 **Q. Do you expect that that reference to**
18 **"Mark" is you?**

19 MR. THOMAS: Object to form.

20 A. It's reasonable. I mean, I can't say
21 for certain, but it's an assumption, reasonable
22 assumption.

23 **Q. And underneath it says, "Basically, as**
24 **you mentioned, the valuation date of these**
25 **Lehman equities had moved from 19th to 22nd**

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1 **HIGHLY CONFIDENTIAL - Washtell**
2 **September. There are around \$700 million fall**
3 **in the value when comparing with 19th September**
4 **due to two reasons: 1) MtM goes down for around**
5 **\$300 million and 2) bid/offer reserve of \$400**
6 **million."**

7 **Do you see that?**

8 A. Yes, I see that.

9 **Q. Does that comport with your**
10 **understanding of the movement when using a**
11 **September 19 close of business day price as**
12 **opposed to a September 22 close of business day**
13 **price?**

14 MR. THOMAS: Objection to form.

15 A. No, I think it's -- it's a confused
16 point. I think it's saying there's a movement
17 from September 19 to 22, and then there's the
18 application of a bid/offer reserve. I think
19 it's confusing those two points.

20 **Q. But you have no reason to believe that**
21 **the numbers are inaccurate, that the mark to**
22 **market goes down for around \$300 million when**
23 **using the 9/19 close of day prices as opposed to**
24 **the 9/22 close of day prices; is that correct?**

25 MR. THOMAS: Objection to form.

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2 A. I think the inverse of what you said,
3 but I have no reason to believe this \$304
4 million number that's referenced here is
5 incorrect.

6 **Q. And when your group sought midpoint**
7 **prices for September 19, what sources were used?**

8 A. From my recollection, sources used to
9 obtain closing or last price information for
10 9/19 would have been the same as those used for
11 9/22.

12 **Q. And do you recall what those sources**
13 **were?**

14 A. I believe our principal source would
15 be Reuters. The reason for that is it's the
16 principal source of equity pricing information
17 within Barclays Capital. In addition, we may
18 have used Bloomberg, for instance, we may have
19 used that, or other sources that were available
20 to us. I don't recall specifically, but I
21 expect the majority were Reuters.

22 **Q. And do you know what Asset Control is?**

23 A. So Asset Control is an internal market
24 data warehouse within Barclays Capital which
25 stores information that's obtained by the firm

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2 through data feeds from, for example, Reuters,
3 Bloomberg, and other data providers. It's just
4 a data warehouse that you can query for any
5 particular security, a price from a number of
6 sources.

7 **Q. So would Asset Control be the first**
8 **place that you would look to obtain observable**
9 **market data that would feed into Asset Control?**

10 MR. THOMAS: Objection to form.

11 A. You can go to Asset Control to query
12 Reuters data and go to Asset Control to query
13 Bloomberg data or you can go to the systems
14 directly. I think we've done a mixture of both
15 of those things.

16 **Q. And were any other pricing sources**
17 **obtained other than Reuters, Bloomberg, data**
18 **either from them directly or through Asset**
19 **Control?**

20 A. I don't recall specifically other
21 sources that we used. There may have been. I
22 know the majority of what we used would have
23 been Reuters data, as I said.

24 **Q. And do you recall the percentage of**
25 **the cash equities that you were able to obtain**

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1 HIGHLY CONFIDENTIAL - Washtell
2 **third party marks for by turning to Reuters,**
3 **Bloomberg, and any other available external**
4 **sources?**

5 A. I don't recall the percentage, no.

6 **Q. Could you turn to the page ending 961.**

7 A. Yes.

8 **Q. I believe this is part of --**

9 A. Can I read it?

10 **Q. Yes.**

11 (Document review.)

12 A. Okay.

13 **Q. If you turn to the last paragraph**
14 **where it starts, "Mark noted that where prices**
15 **were not available on September 22, either the**
16 **prices on September 19 were used or the closest**
17 **price on Bloomberg was obtained"?**

18 A. Yes.

19 **Q. Do you know whether prices were**
20 **obtained for any points in time after September**
21 **22?**

22 A. I know we reviewed price information
23 after that date, yes. To the extent it was used
24 in the valuation, I'm not sure.

25 **Q. So the fact that this sentence says**

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2 **"used" doesn't necessarily mean that prices**
3 **after September 22 were used in the valuation of**
4 **the equity portfolio?**

5 MR. THOMAS: Objection to form.

6 A. This doesn't state that a price after
7 September 22 was used. This states the closest
8 price available to September 22 was used. I
9 read that as before or after. I don't read that
10 as after.

11 **Q. But it could include prices after**
12 **September 22 --**

13 MR. THOMAS: Objection to form.

14 **Q. -- that were used?**

15 A. From reading this, yes, it certainly
16 reads like that. As I said before, I don't
17 recall the specific proportion or the specific
18 dates that we used positions that were valued
19 this way. I would assume it was quite a small
20 proportion.

21 I would also say this is quite
22 standard practice for us. If we cannot obtain a
23 price on a specific day, we would always look
24 for the nearest observation that we can find.

25 If you have illiquid products, in a general

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2 sense, you may be in a situation that you don't
3 observe a valid price on a given day. If you
4 see a price the next day, that is the most
5 reasonable indication of value.

6 **Q. And again, the concept of fair value?**

7 A. Yes.

8 **Q. A willing buyer and seller on**
9 **September 22 would have available to them only**
10 **what information is available as of September**
11 **22; is that correct?**

12 MR. THOMAS: Objection.

13 A. The market participant on September 22
14 would only have information available that is
15 available to them? I think that's what you
16 said, which is just a statement, fact.

17 **Q. It's a fact that on September 22,**
18 **parties transacting would not have access to**
19 **subsequent data points for that same security;**
20 **is that correct?**

21 MR. THOMAS: Objection to form.

22 A. At this point in time, I have no
23 knowledge of anything that's going to happen in
24 the future, I believe is what you're saying.

25 Do you want me to agree to that?

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<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 Then, yes, I agree. I have got no knowledge of</p> <p>3 what's going to happen in the market tomorrow or</p> <p>4 next week or next year.</p> <p>5 Q. And when you say "you," you mean as a</p> <p>6 buyer or a seller, you would not have access to</p> <p>7 information that's beyond the trade date?</p> <p>8 MR. THOMAS: Objection to form.</p> <p>9 Q. You have to verbalize a response.</p> <p>10 A. As an individual, in a general sense,</p> <p>11 as a market participant, as anybody, I don't</p> <p>12 know what's going to happen in the future.</p> <p>13 MR. THOMAS: When you get to a good</p> <p>14 point, probably should take our lunch break.</p> <p>15 MS. CARRERO: Why don't we take our</p> <p>16 lunch break now. Thanks.</p> <p>17 (Luncheon Recess; Time Noted: 1:05</p> <p>18 P.M.)</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 AFTERNOON SESSION</p> <p>3 (Time Noted: 1:59 P.M.)</p> <p>4 MARK WASHTELL, resumed and</p> <p>5 testified further as follows:</p> <p>6 EXAMINATION BY (Cont'd.)</p> <p>7 MS. CARRERO:</p> <p>8 Q. Mr. Washtell, I'm handing you what has</p> <p>9 been marked as Deposition Exhibit 821.</p> <p>10 (Exhibit 821, a document bearing Bates</p> <p>11 Nos. BCI-EX-(S)-176696, marked for</p> <p>12 identification, as of this date.)</p> <p>13 Q. Do you see that this is an e-mail from</p> <p>14 Mr. Teague to you dated September 22, 2008</p> <p>15 "Subject: FYI on LBI"?</p> <p>16 A. Yes, that's what this appears to be.</p> <p>17 Q. Do you see Mr. Teague wrote to you,</p> <p>18 "Mark, I asked Tom McCosker to include me when</p> <p>19 he sends out that update of the 'LEHM' Position</p> <p>20 2008-09-19 file which will show the desk</p> <p>21 allocations"?</p> <p>22 A. Yes, I see it.</p> <p>23 Q. Who is Tom McCosker?</p> <p>24 A. He was part of the Product Control</p> <p>25 team in New York at this time, I believe.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 Q. And what was his role within the</p> <p>3 Product Control team in New York?</p> <p>4 A. I know he was a director. I'm not</p> <p>5 sure exactly what his role was.</p> <p>6 Q. Do you know what his role was in</p> <p>7 connection with the Lehman transaction?</p> <p>8 A. No.</p> <p>9 Q. And do you know what Mr. Teague is</p> <p>10 referring to when he says "a file which will</p> <p>11 show the desk allocations"?</p> <p>12 MR. THOMAS: Objection to form.</p> <p>13 A. No, I don't know specifically what</p> <p>14 that refers to. I don't recall.</p> <p>15 Q. Is it your understanding that the</p> <p>16 positions, once transferred from Lehman to</p> <p>17 Barclays, were allocated to various trading</p> <p>18 desks at Barclays?</p> <p>19 A. It's my understanding they would have</p> <p>20 been allocated to certain desks, yes.</p> <p>21 Q. And is that what this file is</p> <p>22 referring to, the desk allocations for the</p> <p>23 securities that were being transferred?</p> <p>24 MR. THOMAS: Objection to form.</p> <p>25 A. I don't know specifically.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 Q. Do you recall seeing such a list at</p> <p>3 any point showing to which desks the assets that</p> <p>4 had been transferred by Lehman to Barclays were</p> <p>5 being distributed to?</p> <p>6 A. I don't recall that, no.</p> <p>7 Q. Were any of the equity positions that</p> <p>8 you and your team were responsible for valuing</p> <p>9 part of the PMTG business?</p> <p>10 A. Can you clarify what you mean? Sorry.</p> <p>11 In relation to what?</p> <p>12 Q. We have seen numerous spreadsheets</p> <p>13 that divide up the assets that were transferred</p> <p>14 by asset class, and some of them are referenced</p> <p>15 as equities, and there's another asset category</p> <p>16 known as PMTG and another one as PMTG II.</p> <p>17 A. Okay.</p> <p>18 Q. And my question to you is whether any</p> <p>19 of the assets that you and your team had</p> <p>20 responsibility for valuing, whether any of those</p> <p>21 would fall under the PMTG, PMTG II tabs in terms</p> <p>22 of the collection of data?</p> <p>23 A. I'm not aware of any, but I don't</p> <p>24 know.</p> <p>25 When you say "tabs of data," it would</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

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<p>1 HIGHLY CONFIDENTIAL - Washtell 2 depend which files we're looking at. 3 Q. Mr. Washtell, I'm handing you what has 4 been previously marked as Deposition Exhibit 5 641A. We've flagged some pages to make it 6 easier for you to turn to. I have also flagged 7 counsel's copy. 8 MR. THOMAS: That's so thoughtful. 9 Q. Mr. Washtell, you can turn to the -- 10 why don't we start at the first page. Do you 11 see that the first page is an e-mail from Mr. 12 Teague to Tal Litvin dated February 12, 2009, 13 "Subject: Acquisition balance sheet"? 14 A. Yes. 15 Q. And do you see where it says, "The 16 Lehman opening balance sheet is broken out into 17 four distinct portfolios. The Lehman portfolio 18 1 asset settled on 9/22. While the JPM 19 Portfolio 3 assets legal settlement date was 20 12/22. The following winzip contains List A and 21 List B assets valued as of year-end that are 22 expected to settle shortly. Here is the 23 valuation methodology"? 24 A. Yes, I see that. 25 Q. Behind the e-mail are Excel TSG Reporting - Worldwide 877-702-9580</p>	<p>1 HIGHLY CONFIDENTIAL - Washtell 2 spreadsheets that were produced to us in a 3 native version, and we have attempted to print 4 them out and for purposes of questioning, but 5 since they are lengthy, if you could turn to the 6 first flagged page within, and this is a tab of 7 an Excel workbook that was Bates-stamped 8 BCI-EX-(S)-00213995, and the summary tab, if you 9 just take a look at the summary tab. 10 A. Okay. 11 (Document review.) 12 Q. Do you understand this summary to 13 reflect the valuations undertaken by IVC in 14 connection with putting together the opening 15 balance sheet to reflect the Lehman transaction? 16 MR. THOMAS: Objection to form. Lack 17 of foundation. 18 A. I don't recall this specific schedule. 19 There's clearly a line on here for equities. 20 There's clearly a PCG value, market value 9/22. 21 Q. So you and your team didn't put 22 together the equities portion, at least, of this 23 spreadsheet? 24 A. I believe we may -- 25 MR. THOMAS: Objection to form. TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 HIGHLY CONFIDENTIAL - Washtell 2 A. I believe we may have done, but I 3 didn't put together this file. This appears to 4 be a summary file of all positions. 5 Q. Do you know if the positions that your 6 team was responsible for valuing would fall both 7 in the row titled "Equities" as well as perhaps 8 some in "PMTG," "PMTG II"? 9 MR. THOMAS: Objection. Lack of 10 foundation. 11 A. I would interpret this as being the 12 positions my team looked at were purely in the 13 line "Equities." 14 Q. And if you could turn to the next flag 15 within the document, which should be another 16 Excel tab within BCI-EX-(S)-00213995 titled 17 "EQ2(2)." Take a moment to review and then let 18 me know when you have finished. 19 (Document review.) 20 A. Okay. 21 Q. Have you seen this document before? 22 A. I have seen a schedule like this 23 before. 24 MR. THOMAS: Do you mean this one page 25 as opposed to the whole exhibit? TSG Reporting - Worldwide 877-702-9580</p>	<p>1 HIGHLY CONFIDENTIAL - Washtell 2 MS. CARRERO: I do mean this tab of 3 the Excel workbook relating to the EQ2(2). 4 Q. Can you tell me what the "PCG Value 5 September 9" column totaling \$10,016,000,000 6 reflects? 7 MR. THOMAS: Objection to form. 8 A. I believe that reflects the valuation 9 of these positions based on closing price data 10 that would have been obtained by my team for 11 September 19. 12 Q. And can you tell me what the "PCG 13 Value September 22" column totaling 14 \$9,725,000,000 reflects? 15 MR. THOMAS: Objection to form. 16 A. Is that the column next to it? 17 Because I can't see anything on this. 18 MS. CARRERO: We can go off the record 19 for a second. 20 (Pause in the proceedings.) 21 BY MS. CARRERO: 22 Q. Looking at the column labeled "PCG 23 Value September 22," can you tell me what that 24 column totaling \$9,725,000,000 reflects? 25 MR. THOMAS: Objection to form. TSG Reporting - Worldwide 877-702-9580</p>

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<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 A. I don't see 9,725,000,000. Sorry.</p> <p>3 Q. In the column next to "PCG Value</p> <p>4 September 19," next to the total of</p> <p>5 10,016,000,000, what number --</p> <p>6 A. 9712.</p> <p>7 Q. What does that number reflect?</p> <p>8 MR. THOMAS: Objection to form.</p> <p>9 A. I believe that number would reflect</p> <p>10 the comparable value as of September 22, that</p> <p>11 is, using closing price from September 22.</p> <p>12 Q. And what does the column titled "PCG</p> <p>13 B/O of September 22" totaling \$382 million</p> <p>14 reflect?</p> <p>15 A. That would appear to reflect the</p> <p>16 bid/offer that was applied to the equity</p> <p>17 portfolio as of 9/22.</p> <p>18 Q. And what does "bid/offer" mean?</p> <p>19 A. In a general sense? Bid/offer spread.</p> <p>20 Q. In the sense of how it is used here.</p> <p>21 MR. THOMAS: Objection to form.</p> <p>22 A. "Bid/offer," as it is used here,</p> <p>23 represents an adjustment to get us to the</p> <p>24 appropriate fair market value, which in the case</p> <p>25 of a long equity portfolio is the bid value.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 That's quite clearly as defined in the</p> <p>3 accounting standards.</p> <p>4 Q. How is that bid/offer adjustment</p> <p>5 calculated to arrive at the \$382 million figure?</p> <p>6 MR. THOMAS: Objection to form.</p> <p>7 Foundation.</p> <p>8 A. Would you like a detailed explanation?</p> <p>9 It's -- it's a detailed calculation.</p> <p>10 Q. Before we get there, I just want to</p> <p>11 ask, it was your group that calculated the</p> <p>12 bid/offer adjustment that totaled \$382 million,</p> <p>13 correct?</p> <p>14 A. That's correct.</p> <p>15 Q. Now, if you could go on and tell me</p> <p>16 how that bid/offer adjustment was calculated to</p> <p>17 arrive at \$382 million?</p> <p>18 MR. THOMAS: Objection to form.</p> <p>19 A. Due to the lack of available data, we</p> <p>20 calculated a portfolio level bid/offer spread to</p> <p>21 apply to the entire portfolio. Ideally, if you</p> <p>22 had position level data available for all</p> <p>23 positions, you would do this calculation on a</p> <p>24 position level, but given we were looking at</p> <p>25 this after the fact, some time after the fact,</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 we did not have that data available.</p> <p>3 The first step was to attempt to query</p> <p>4 bid/offer spread information for the portfolio</p> <p>5 as of 9/22. In doing that, using Reuters, which</p> <p>6 is our principal data source which we use within</p> <p>7 Barclays, we had coverage of something like 450</p> <p>8 to 500 names of a portfolio here which is</p> <p>9 something like 3500 names.</p> <p>10 The thing to know about that sample</p> <p>11 and why that sample is not representative of the</p> <p>12 portfolio and why you would not just, for</p> <p>13 instance, take an average of that sample, is</p> <p>14 that that spread information would have been</p> <p>15 available for the more liquid names within the</p> <p>16 portfolio.</p> <p>17 What that means is that spread</p> <p>18 information would have been much lower for those</p> <p>19 names than for the names that we could not</p> <p>20 observe at that time, so any average based on</p> <p>21 that level would be substantially lower than the</p> <p>22 true bid/offer that was applicable to the</p> <p>23 portfolio as of that date.</p> <p>24 Now, to adjust for that, we at some</p> <p>25 point in December have looked at a live market</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 bid/offer data where we have a much better</p> <p>3 coverage, and I think in that sample we were</p> <p>4 able to get something like 2,000, 2100 names,</p> <p>5 something like that, I don't know the exact</p> <p>6 number, but it covered a much larger proportion</p> <p>7 of the population. So from a market value</p> <p>8 perspective, it covered something like 80</p> <p>9 percent of the outstanding market value of the</p> <p>10 portfolio.</p> <p>11 That is a much better average because</p> <p>12 it covers much more of the portfolio, but then</p> <p>13 you have the issue that you're looking at an</p> <p>14 average of market data from December as opposed</p> <p>15 to September. So we've gone through a process</p> <p>16 to calculate, effectively, a rebasing or a</p> <p>17 benchmarking or a basis-type adjustment to</p> <p>18 understand how the markets moved between</p> <p>19 September 22 and I believe December 22 when we</p> <p>20 queried the larger population of data.</p> <p>21 On that basis, we come up with a ratio</p> <p>22 to reflect how the market generally has become</p> <p>23 more or less liquid, and in this case, it</p> <p>24 reflected the fact that spreads had become</p> <p>25 narrower in December as opposed to September.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

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I think the factor we looked at was a little over 2, something like 2.2, that is to say the spreads that we observed for a specific position in September, where we had data also observable for those positions in December, the spreads we observed in September were larger by a factor of, on average, about 2.2.

So we used that factor to then take our December average and estimate a rescale, a rebenchmarked, rebased average to apply to the portfolio in September. Having done that, we have arrived at the appropriate bid/offer spread to apply to the portfolio in September.

Q. And when did this methodology come about? Was it in December at the time that you queried for the December live sample?

MR. THOMAS: Objection to form.

A. We were doing work on this before then, but it was very much an iterative process. So, as I said, as a first step, we looked to get as much information as we could from September and what average did that imply for us, and that was a first cut at the number.

Q. And what --

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A. It soon became apparent that, well, no, if we think about this, this isn't the most appropriate number because look at the stocks that are in our sample. It's the S&P 500 names or whatever that have been extremely liquid that have much tighter spreads. The sample where we don't have data is clearly the less liquid stuff, and if you go and look at live market spreads now, yes, there are much wider spreads. So it was an evolving process.

Q. And between the acquisition date in September and December when you changed your bid/offer methodology, what were you seeing as the number to be taken as a bid/offer adjustment?

MR. THOMAS: Objection to form.

A. I'm not sure what you mean by the question in terms of what changed. I'm not --

Q. I'm asking the percentage bid/offer adjustment, how did it compare to the one ultimately employed using the December live sample that was not generated until December or later when that data was obtained?

MR. THOMAS: Objection.

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A. How did what compare to that? Sorry.

Q. How did whatever methodology you were using to calculate the bid/offer adjustment prior to December differ from that which was ultimately used employing December data?

MR. THOMAS: Objection to form.

A. I don't recall at any point that we were using a different methodology. We did not calculate the bid/offer adjustment as of -- as of on the 22nd of September, we did not go and calculate a bid/offer adjustment and then at a later date revise that. That's not the way this happened.

Q. But you're not telling me you waited until December to calculate a bid/offer adjustment, right?

A. I'm saying the valuation, the opening balance sheet valuation, the work to come up with a fair value that was appropriate was undertaken over a period of time. That period of time was a few months.

Q. But the data that was ultimately used is data that was obtained months after the acquisition; is that correct?

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MR. THOMAS: Objection to form.

A. To take into account the liquidity, the relative availability of data, the composition of the portfolio, we used all data available to us. That included referencing data where we could from September. It also included referencing data from December to come up with, as I've said, an effective benchmark or basis adjustment between those two dates.

We could not query live data for September 22 because it was after the fact that we were trying to do this.

Q. But the only available live data is data almost three months after the acquisition?

MR. THOMAS: Objection to form.

A. No, I'm saying there was a lot going on at this particular point in time, and clearly, you know, the sole responsibility of our group and what we were doing in that intervening period was not to calculate a bid/offer adjustment.

Q. And so the calculation of a bid/offer adjustment was not something that was undertaken until December, at which point the only

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<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 available live data was December data; is that</p> <p>3 what you're saying?</p> <p>4 MR. THOMAS: Objection. Form.</p> <p>5 A. I'm not sure exactly at what point we</p> <p>6 first started calculating a bid/offer</p> <p>7 adjustment. The first point or the point at</p> <p>8 which we clearly decided we needed to</p> <p>9 rebenchmark it to get a better estimate I</p> <p>10 believe was sometime in December, and I recall</p> <p>11 there were a couple of different sampling dates</p> <p>12 in December that we used.</p> <p>13 Q. How long is live data available for</p> <p>14 after the live event?</p> <p>15 A. Well, it's not -- it's a point in</p> <p>16 time.</p> <p>17 Q. So it's available only -- it must be</p> <p>18 collected contemporaneously with its happening?</p> <p>19 A. What --</p> <p>20 MR. THOMAS: Objection.</p> <p>21 A. What I would consider the definition</p> <p>22 of "live data" is we go to Reuters during</p> <p>23 trading hours and take a live snap of current</p> <p>24 bid/offer in the market. 30 seconds later, you</p> <p>25 can have a slightly different bid/offer and a</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 slightly different set of live data. It's live.</p> <p>3 It's ticking constantly. That's the definition</p> <p>4 of it.</p> <p>5 By doing that, you ensure the data</p> <p>6 that you get represents a true bid/offer that's</p> <p>7 quoted in the market at a particular time. So a</p> <p>8 simultaneous bid and offer that's out there in</p> <p>9 the market at one point in time rather than a</p> <p>10 bid and offer that potentially, you know, are</p> <p>11 being quoted at different times, which wouldn't</p> <p>12 represent a true spread in the market.</p> <p>13 Q. But how is a bid/offer in the market</p> <p>14 three months after the Lehman acquisition more</p> <p>15 representative of a true bid/offer than the data</p> <p>16 that was available at the time of the actual</p> <p>17 sale transaction?</p> <p>18 MR. THOMAS: Objection. Form.</p> <p>19 A. I think the distinction to make is the</p> <p>20 data that was available at the time of the</p> <p>21 transaction, if you could go and snap live</p> <p>22 market data on September 22, you would do that</p> <p>23 and that would be more representative, but</p> <p>24 that's not something we were able to do because</p> <p>25 we were looking at this after the fact.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 So the only information for 9/22 that</p> <p>3 you could get is the closing bid-ask data, and</p> <p>4 that's not available for a very wide proportion</p> <p>5 of stocks. It was only available for I think I</p> <p>6 said 450 or so stocks, and that population of</p> <p>7 450 stocks represents serious selection bias if</p> <p>8 you're trying to use that as a sample to be an</p> <p>9 indicator for the spread you should apply to</p> <p>10 your population because it represents the most</p> <p>11 liquid names within the sample.</p> <p>12 So it would lead to a significant</p> <p>13 understatement of any bid/offer spread that</p> <p>14 would apply to the portfolio. The only</p> <p>15 reasonable way to get around that was to look at</p> <p>16 live market data that we had available and try</p> <p>17 to do some sort of rebasing between the dates.</p> <p>18 Q. Do you have any idea how the December</p> <p>19 snapshot of live data would compare to what a</p> <p>20 live snapshot would have looked like in</p> <p>21 September?</p> <p>22 A. We have estimated based on the data</p> <p>23 that we had available. So anywhere we had, for</p> <p>24 the sample of positions where we had a closing</p> <p>25 spread for 9/22, we compared that spread to the</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 live spread we had in December. So we're</p> <p>3 comparing like for like the same name, and we're</p> <p>4 saying for this stock what was the bid/offer</p> <p>5 spread in September, what was the bid/offer</p> <p>6 spread in December, and on that basis we can</p> <p>7 calculate ratio of how spreads on average have</p> <p>8 moved between the two dates. And that gives us</p> <p>9 this ratio of this factor of something like 2.2.</p> <p>10 That is to say they were narrower by that factor</p> <p>11 in December than they were in September.</p> <p>12 Q. Putting before you what has been</p> <p>13 marked as Deposition Exhibit 824.</p> <p>14 (Exhibit 824, a document bearing Bates</p> <p>15 Nos. BCI-EX-00255172, with attachment,</p> <p>16 marked for identification, as of this date.)</p> <p>17 Q. Have you had a chance to look it over?</p> <p>18 A. Yes. Quite helpfully describes what I</p> <p>19 just said.</p> <p>20 Q. So Deposition Exhibit 824, which is</p> <p>21 Bates-stamped BCI-EX-00255172, the first page,</p> <p>22 is an Excel spreadsheet that we have printed</p> <p>23 out, and if you would turn to the summary page,</p> <p>24 and look at that "Implied Provision" line</p> <p>25 totaling \$382,174,982, do you see that?</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

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A. Yes.

Q. Does that tie out to the previous document we were looking at, Deposition 641, the bid/offer, the PCG B/O September 22 total of 382 million?

A. Yes, it would appear to be the same number.

Q. And does the 8,852,000,000 number listed as total asset value reflect the total of tested and untested equities?

MR. THOMAS: Objection to form.

A. I would assume so.

Q. And the use of December 18 live data as opposed to any other date in December is because that's the date the decision was made to go out and take a snapshot of live data; is that correct?

A. I believe we took a snapshot on a few different days in December. They were all broadly representative and similar. So December 18 was the day that we chose. I don't recall exactly why that day was chosen.

Q. Do you recall what other dates live snapshots were taken?

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A. No, not specifically.

Q. Were live snapshots taken at different times of the day?

A. I believe they would have been.

Q. And who ultimately made the decision as to which live snapshot to use for the bid/offer calculation?

A. That would have been taken by myself in conjunction with other people, other members of the team.

Q. If you turn to the page behind that's reflective of the Excel tab titled all data.

A. Okay.

Q. Can you explain why only approximately 400 CUSIPs have a reported bid-ask spread on September 22 and approximately 2000 have a reported bid-ask spread on December 18, or tell me that that's what you have already explained?

A. Okay. That's kind of what I've explained, I guess. It's not the last data that we had for 9/22.

Q. And could you explain the process again of how the data from December was backdated to the September date?

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MR. THOMAS: Objection to form.

A. For the population of positions where we had spread data available on both observation dates, we calculated a ratio for a relative change I believe as it's defined on the spreadsheet. We then looked at the average of those changes across that sample of 400 or so names where data was available for both, and we have used that as an indication of how market bid/offer spreads have changed between those two dates.

Q. And has this methodology of backdating a bid/offer adjustment ever been employed by Barclays before?

MR. THOMAS: Objection to the form. Misstates the testimony.

A. We apply bid/offer provisions to the portfolio. We applied similar techniques of averaging to calculate spreads that are applicable for those bid/offer adjustments, and we do that as part of our ongoing function in our role.

Q. Does the provisioning policy that was in place at the time specifically provide for

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calculating bid/offer adjustments based on future data and then backdating it to a date prior?

MR. THOMAS: Objection. Form. Mischaracterizes the testimony.

A. I don't believe, to answer your question, the bid/offer -- sorry, the provisioning policy mentions anything in relation to backdating.

What we did in this example is the most reasonable thing to do to achieve an appropriate estimate of the bid/offer provision on the portfolio as of that point in time.

Using the information we had available, it would have been inappropriate to rely purely on the September spread information because it represented a biased sample, a non-representative sample. It would have significantly understated the true bid/offer on the portfolio at that time.

So it would have been incorrect to either not calculate a bid/offer because we didn't have the data or to calculate based on a sample of data which is not representative of

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2 the population. We needed to make reasonable
3 judgments to get to an appropriate bid/offer
4 spread based on available data we had at the
5 time that we were doing this, and that's what we
6 did.

7 And we believe that gets us to the
8 best estimate, the most reasonable estimate of
9 the appropriate fair value.

10 **Q. Why did it take three months from the**
11 **sale transaction to determine that what had**
12 **previously been pulled was inadequate?**

13 MR. THOMAS: Objection to form.

14 A. As I said before, we didn't spend
15 three months looking at the bid/offer
16 calculation. We did not -- or, I did not start
17 actively calculating an opening balance sheet
18 value as of 9/22 and then spend three months.
19 There was a lot of other stuff happening at this
20 point in time.

21 So it's not a case of, you know, we
22 spent three months and it took us three months
23 to determine that this was the appropriate
24 course of action.

25 **Q. This bid/offer methodology totaled**

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2 **almost \$400 million, which you would agree is**
3 **not inconsequential, correct?**

4 A. It's definitely not inconsequential.

5 **Q. And do you recall what amount of the**
6 **previous data using the 400 or so observable**
7 **data points for September would have yielded?**

8 MR. THOMAS: Objection to form of the
9 question. Vague.

10 A. I don't recall the exact number, no.

11 **Q. And do you recall what the average --**
12 **let me rephrase the question.**

13 **Looking at the numbers on the summary**
14 **page again --**

15 A. Yes.

16 **Q. -- if you could walk me through where**
17 **it says average spread from December 18 data,**
18 **1.93 percent?**

19 A. Yes.

20 **Q. And what is that 1.93 percent**
21 **reflective of?**

22 A. It's reflective of the average spread
23 from December 19 data, so the live data that we
24 created for bid-ask spreads as of December 18.

25 That's the average. It's described above how

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2 it's calculated, excluding data above 50 percent
3 spread.

4 **Q. What is the 2.3 next to average ratio**
5 **of spreads, September to December?**

6 A. 2.23?

7 **Q. Sorry, 2.23, yes.**

8 A. Is for the 400 observations, 400 or so
9 observations where we had data for both dates.
10 As I've described, that represents the relative
11 change or ratio on those positions between those
12 two dates.

13 **Q. So 2.23 is the ratio that was**
14 **calculated?**

15 A. Yes.

16 **Q. And can you tell me what the 4.32**
17 **percent number next to "Applied Sep. Average**
18 **Spread" is?**

19 A. I believe that's just the
20 multiplication of the previous two numbers, so
21 that represents the December spread, which
22 covers most of the population, rescaled based on
23 the ratio, to give us an approximate September
24 spread.

25 **Q. So is the 4.32 percent number what is**

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2 **applied in order to generate the \$382 million**
3 **number?**

4 A. That's correct.

5 **Q. And it's applied to which universe of**
6 **equities within the equity portfolio that you**
7 **covered?**

8 A. Everything that's not a convertible
9 bond, I believe, would have been included.

10 **Q. So even for the 400 CUSIPs for which**
11 **you did have data as of September, the**
12 **backdating from December/September calculated**
13 **spread was applied; is that correct?**

14 MR. THOMAS: Objection to form.

15 Mischaracterizes the testimony.

16 A. This spread was applied to all of the
17 positions, including those positions where we
18 had a spread observable from September. The
19 reason for that is that we're applying an
20 average methodology here. The reason we're
21 applying an average methodology is for a
22 significant portion of the portfolio we just did
23 not have spread information available.

24 So for, I think reading from this,
25 approximately 14 percent of the portfolio, which

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2 is well in excess of a billion dollars worth of
3 assets, we had no spread information available
4 at all. So the question is what spread do you
5 apply to these positions?

6 Now, to get around that, we have used
7 what we think is the most reasonable approach,
8 which is to look at the portfolio average, and
9 that's what this describes. But if you use the
10 portfolio average approach but then only apply
11 that to the less liquid, unobservable parts of
12 the portfolio, as opposed to the liquid
13 observable parts of the portfolio, you're going
14 to completely undermine the point of doing that
15 calculation. It's not going to make any sense.

16 If I was to apply the September
17 spreads that we observed to the September
18 portfolio, then I would need to make some very
19 different assumptions about what spreads I apply
20 to those illiquid positions, that \$1.2 billion
21 of illiquid assets where I just cannot observe
22 spreads.

23 **Q. Just to finish up going through this**
24 **chart, back under the "Total Asset Value" line,**
25 **there's a line titled "Population Covered by**

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2 **Spread Data December 18, 2008." It has a**
3 **7,621,881,970 number next to it and then an 86.1**
4 **percent. Can you tell me what that represents?**

5 MR. THOMAS: Objection to form.

6 A. I believe that represents the market
7 value for those positions where we could obtain
8 live spread information for December 18. A
9 percentage is a simple percentage of that value
10 over the total population, which is just given
11 above. So I think that percentage is just one
12 number over the other.

13 **Q. And for the line underneath**
14 **"Population Covered by Spread Data September 22,**
15 **2008," and it has a number of 1,529,424,507 and**
16 **17.3 percent, what does that reflect?**

17 A. Same thing, but this is the market
18 value of those positions where we could get
19 spread information for 9/22.

20 **Q. And the 86.1 percent figure reflects**
21 **the number where there was at least one instance**
22 **of spread data within that live shot on December**
23 **18; is that correct?**

24 A. That represents where we have seen a
25 bid/offer in the market in that live sample of

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2 data, yes.

3 **Q. Was there any analysis of whether**
4 **there was more than one sample of a bid/offer**
5 **spread for a given CUSIP on that date?**

6 A. Because we go to the exchange for this
7 data, there's not at a point in time, there's
8 not going to be a range of bid-asks there. So
9 as we query this data from Reuters, which is our
10 query tool, there's going to be one bid and one
11 ask that's the current market-making bid-ask on
12 the exchange.

13 **Q. So you wouldn't see multiple bids and**
14 **multiple offers for one CUSIP; is that correct?**

15 A. At any one point in time?

16 **Q. At any one point in time through this**
17 **query through Reuters of live data on December**
18 **18.**

19 A. Through the query route, no, we
20 wouldn't see it.

21 MR. THOMAS: Let me just note the
22 transcript is designated highly
23 confidential.

24 **Q. With respect to the calculation of the**
25 **ratio, is there a reason to use a ratio as**

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2 **opposed to a median?**

3 A. I think it would be nonsensical to use
4 a median for these purposes.

5 **Q. How exactly was the ratio calculated?**
6 **Was it limited to just the 400 positions where**
7 **there was observable bids and offers on**
8 **September 22?**

9 A. It was limited to that population
10 where we had observable bid-ask spreads on both
11 September 22 and December 18. By definition of
12 the ratio, you need a data point for both sides.

13 **Q. And how big was that sampling where**
14 **there was for both September 22 and December 18?**

15 A. This was the 400 or so names. I don't
16 recall the exact number.

17 **Q. So 400 is the number for which there's**
18 **overlap between September and December?**

19 A. Yes.

20 **Q. It's not the number of CUSIPs for**
21 **which you had access to bids and offers for**
22 **September 22; is that correct?**

23 A. That's correct. It represents --

24 **Q. Only what overlaps between September**
25 **and December?**

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A. Yes.

Now, in most cases, if we had a spread in September, you would also have had a spread in December, but there may have been a small number where that was not the case.

Q. And do you know the size of or the number of CUSIPs for which there were bids and offers available on September 22?

A. This is the number around the 450 to 500, but I don't recall the exact number.

Q. So there was a large amount of overlap -- I think I'm getting confused about that 400 number. There's --

A. For 400 read approximately 450, so I think approximately for every position we had a spread in September. For most of those cases, we would have also had a spread in December. There were potentially a few where that was not the case, but in general, that would have been the case.

Q. And --

A. I don't know the exact numbers.

Q. Did you look at September 19 as well to see for how many CUSIPs there were both bid

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and offer prices available?

A. I don't recall looking specifically at September 19 bid-ask information because we were trying to estimate the appropriate accurate bid-ask for September 22.

Q. When you were previously calculating using the September 19 valuation date, would that process have yielded the type of information necessary to determine whether or not there were bids and offers for any given CUSIP you were evaluating?

MR. THOMAS: Objection to form.

A. I don't recall at any point that we obtained bid-ask information for September 19 as part of any analysis or process. I don't recall that we did.

Q. In order to calculate a midpoint as of September 19, would you not access bid/offer information for September 19?

MR. THOMAS: Objection to form.

A. I'm not sure at what point or that we were at any point trying to obtain what you call a midpoint, a mid price, or a mid value for September 19. We were certainly looking at

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price data for September 19.

Q. If you could look back at what has been marked as Deposition Exhibit 641A, the spreadsheet with one column titled "PCG Value"?

A. Right.

Q. "Sep. 19." It has a total of 10 billion-16?

A. Is the question would we have had bid-ask information in the calculation of that number?

Q. Yes.

A. The answer is no.

Q. And how does that differ, how does the attaining of bid-ask information for September 19 differ from what was done in order to calculate the September 19 midpoint?

MR. THOMAS: Objection to form.

A. The September 19 value here represents closing price information from the exchange, say the last traded price of an exchange. That doesn't represent a bid/offer spread.

Q. And in order to access information for September 19 bid-ask spreads, where would you go?

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A. If I were asked to do that now? I would follow the same process we did here, which is to use Reuters to query bid-ask spreads for September 19 in the same way we used it to query bid-ask spreads for September 22.

I assume you would have a similar problem of sampling and the availability of data.

Q. Turning back to Deposition Exhibit 641A, for the "PCG Value September 22" column, total of 9 billion-odd?

A. Which one of the two?

Q. The one that on my column is blacked out. The one corresponding to the row titled "Total Equities and Convertibles."

A. Yeah, I mean, there are two columns I think entitled "PCG Value Sep. 22."

Q. The one that's next to "PCG Value Sep. 19."

A. Okay.

Q. That reflects a September 22 close of business price, correct?

A. That's correct.

Q. Was any attempt made to adjust the

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value to remove the impact of market activity
during the day on September 22?

A. Can you say that again?

Q. Was any attempt made to adjust the
value to remove the impact of market activity
over the course of the day on September 22?

A. What do you mean by "market activity"
in that sense?

Q. Market movements to any of the CUSIPs
that were within the portfolio being valued in
the "Total Equities and Convertibles" row using
a 9/22 close price.

A. No, I believe this represents the
closing market value as of 9/22.

Q. And this would be the number that
would roll into Barclays' acquisition balance
sheet; is that correct?

A. I believe the number that would roll
into Barclays' acquisition balance sheet would
also reflect the bid/offer, which is in the
column next to it.

Q. And what's the total of that?

A. So I think that the second "PCG Value
Sep. 22" column.

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Q. And what would the total be that would
roll into the acquisition balance sheet for the
equities and convertibles?

MR. THOMAS: Objection to form.

A. Taking as read from this, because I
can't remember the numbers, I'm not familiar
with the actual final document, 9.33 billion is
the number here.

Q. Did you or your group at your
direction seek to obtain any market information
from the foreign markets and indices that would
have been available between close of business on
September 19 and the September 22 opening of the
market?

A. Just to clarify, you're saying in
relation to the U.S. close from Sep. 19 to the
U.S. Open on Sep. 22 did we look at what you
call foreign markets? You mean non-U.S., is
that --

Q. Non-U.S. would be one way of looking
at it, but we could also say from UK close to UK
open on the 19th to the 22nd.

A. Okay.

Q. Were any, any data points collected

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and analyzed in determining the move in the
market from September 19 to September 22?

A. From my recollection, they were not.

Q. Your group was also responsible for
valuing convertibles, correct?

A. That's correct.

Q. And what would be included in the
convertibles category?

A. This would principally be convertible
bonds. I believe it may have included some
convertible preferred securities as well.

Q. And do you know what the distinction
is between tested and untested convertibles?

A. "Tested" would imply where we can
obtain an independent market data quote.
"Untested" would imply that we could not do
that.

Q. And why would there be no bid/offer
adjustment for convertible securities?

A. The price information that we obtained
for convertible securities would be in a
slightly different format, so we would
automatically get a bid and an ask and so we
would mark to the bid. Therefore, no need to

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take an adjustment just because of the data that
we get.

Q. And where does that data come from?

A. I believe most of the convertible bond
data would have been sourced through Bloomberg
and would represent broker quotes, market
quotes, indications from interdealer brokers,
which would be in line with our standard
practice for how we value convertible bonds and
price test convertible bonds on an ongoing
basis.

Q. Was your group responsible for valuing
equity-linked notes and warrants?

A. Yes. As listed on here, yes.

Q. And what would fall under the category
"Untested Lehman Issued ELNs"?

MR. THOMAS: Objection to form.

A. I can't recall exactly what's in each
of these categories, but two categories here,
Lehman issued ELNs and warrants would both
represent some form of Lehman paper.

Q. And "untested," does it have a similar
meaning as with the convertible bonds, meaning
that there would be no observable market price?

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<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 A. That would be correct, yes.</p> <p>3 Q. When valuing the Lehman-issued ELNs or</p> <p>4 the Lehman-issued warrants, did you or your</p> <p>5 group look at the marks in existence from Bank</p> <p>6 of New York or JPM or Lehman?</p> <p>7 A. I don't recall looking at them in any</p> <p>8 detail.</p> <p>9 Q. Do you know what the column labeled</p> <p>10 "BoNY September 18" references?</p> <p>11 A. I believe that would reference the</p> <p>12 valuation as of the BoNY prices for September</p> <p>13 18, just reading the column.</p> <p>14 Q. And so the BoNY price for the untested</p> <p>15 Lehman-issued warrants would have been \$178</p> <p>16 million; is that correct?</p> <p>17 A. That's how I read this, yes.</p> <p>18 Q. And the BoNY price for the untested</p> <p>19 Lehman-issued ELNs, \$25 million?</p> <p>20 MR. THOMAS: Objection to form.</p> <p>21 Foundation.</p> <p>22 A. Again, that's how I would read this,</p> <p>23 yes.</p> <p>24 Q. And do you know why no value is</p> <p>25 attributed to the Lehman-issued ELNs or the</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 Lehman-issued warrants by Barclays?</p> <p>3 MR. THOMAS: Are we still talking</p> <p>4 about Movants' Trial Exhibit 143?</p> <p>5 MS. CARRERO: We're talking about</p> <p>6 Deposition Exhibit 641A.</p> <p>7 MR. THOMAS: Yes.</p> <p>8 MS. CARRERO: Which is --</p> <p>9 MR. THOMAS: Which? The version you</p> <p>10 gave us is Movants 143. So objection.</p> <p>11 MS. CARRERO: It's the official marked</p> <p>12 deposition exhibit that is in front of the</p> <p>13 witness right now.</p> <p>14 MR. THOMAS: 641A?</p> <p>15 MS. CARRERO: 641A.</p> <p>16 MR. THOMAS: Yes. I'm just confirming</p> <p>17 that the question is, again, about this</p> <p>18 document. So, objection, lack of</p> <p>19 foundation.</p> <p>20 MS. CARRERO: If you'd like, I can</p> <p>21 pull out the correspondence from your</p> <p>22 colleagues that describes exactly what this</p> <p>23 document is and has been represented to us</p> <p>24 as the document that's --</p> <p>25 MR. THOMAS: The objection is just</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 based on what this witness -- you're asking</p> <p>3 this witness to say what this document says,</p> <p>4 and he's, I think, been carefully answering</p> <p>5 that, as he reads this, that's what he</p> <p>6 thinks it says, but I don't think he</p> <p>7 actually prepared this document and I don't</p> <p>8 think you have established a foundation for</p> <p>9 him knowing exactly what these figures are.</p> <p>10 But that's just the objection I'm reserving.</p> <p>11 BY MS. CARRERO:</p> <p>12 Q. If your group was responsible for</p> <p>13 valuing the equity portfolio, would anybody else</p> <p>14 have been able to supply the data that populated</p> <p>15 this table, if not your group?</p> <p>16 A. I don't believe they would for the</p> <p>17 columns that say "PCG Market Value," but I</p> <p>18 certainly didn't prepare this schedule.</p> <p>19 Q. And that's fine. Was it your group</p> <p>20 who valued the untested Lehman-issued ELNs and</p> <p>21 the untested Lehman-issued warrants at no value</p> <p>22 as reflected on this chart, whether or not you</p> <p>23 prepared it or not?</p> <p>24 MR. THOMAS: Objection to form.</p> <p>25 A. Yes, that's correct.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 Q. And what was the basis for the</p> <p>3 decision to value the untested Lehman-issued</p> <p>4 ELNs and untested Lehman-issued warrants at</p> <p>5 zero?</p> <p>6 A. The warrants, a warrant, by</p> <p>7 definition, is just an option in stock. It's a</p> <p>8 Lehman-issued warrant. That means it's an</p> <p>9 option on Lehman's stock. At this point in</p> <p>10 time, I don't believe Lehman's stock had any</p> <p>11 value. So ascribing any value other than zero</p> <p>12 to these warrants would have been the incorrect,</p> <p>13 nonsensical thing to do.</p> <p>14 Likewise, the Lehman-issued ELNs</p> <p>15 represent some equity-linked Lehman-issued</p> <p>16 paper. For similar reasons given, what was</p> <p>17 happening in the Lehman bankruptcy at the time,</p> <p>18 we -- and the fact we could not obviously source</p> <p>19 any market data for these things, we deemed it</p> <p>20 most appropriate to value them at zero.</p> <p>21 Q. And is that based off an assumption</p> <p>22 that the notes and the warrants would end up</p> <p>23 being unenforceable?</p> <p>24 A. I don't think it's based on an</p> <p>25 assumption they would be unenforceable, but if a</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

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<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 warrant is issued by Lehman Brothers on its own</p> <p>3 stock, and you enforce exercise of that warrant,</p> <p>4 what do you actually receive if Lehman's stock</p> <p>5 is now worthless and it doesn't exist? I'm not</p> <p>6 sure what you would achieve from that. I'm not</p> <p>7 sure you would ever ascribe any value to that or</p> <p>8 get any value from that.</p> <p>9 Q. And do you know if ultimately Barclays</p> <p>10 has received any value from the Lehman-issued</p> <p>11 ELNs or the Lehman-issued warrants?</p> <p>12 A. I'm not aware of that, no.</p> <p>13 Q. And where would you go if you wanted</p> <p>14 to determine whether or not the Lehman-issued</p> <p>15 ELNs or the Lehman-issued warrants had been</p> <p>16 marked up later or redeemed in some way for</p> <p>17 value?</p> <p>18 A. Sorry, where would I go? What --</p> <p>19 Q. Where --</p> <p>20 A. Who would I ask?</p> <p>21 Q. Who would you ask?</p> <p>22 A. At this point, I don't know. I don't</p> <p>23 know if the position is -- I don't know the</p> <p>24 answer to that.</p> <p>25 Q. What system within Barclays or report</p> <p> TSG Reporting - Worldwide 877-702-9580</p>	<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 that is generated would have information on a</p> <p>3 CUSIP and what ends up happening on a day-to-day</p> <p>4 basis to the mark?</p> <p>5 A. In these cases, where we valued them</p> <p>6 at zero, I don't know what system they would</p> <p>7 have been booked in and whether they would still</p> <p>8 be in a system somewhere. I don't know the</p> <p>9 answer to that.</p> <p>10 Q. Assuming they're in a system with</p> <p>11 other equity securities that were booked into</p> <p>12 the system?</p> <p>13 A. At this point in time now?</p> <p>14 Q. At this point in time now. If you</p> <p>15 wanted to query whether Barclays still held the</p> <p>16 position and if Barclays had sold it, at what</p> <p>17 point it was sold, or if Barclays had redeemed</p> <p>18 it and the value it redeemed it --</p> <p>19 A. Uh-huh.</p> <p>20 Q. -- where would you look?</p> <p>21 A. I would look, I guess, in whatever</p> <p>22 settlement system is most appropriate, and where</p> <p>23 this was actually booked, where it would have</p> <p>24 settled, and where any corporate actions or</p> <p>25 otherwise would have taken place and been</p> <p> TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 recognized, if any cash was received. I'm not</p> <p>3 aware of that happening, as I said.</p> <p>4 Q. So there are a number of settlement</p> <p>5 systems within Barclays, depending on the type</p> <p>6 of security, and that system would allow you to</p> <p>7 see what sort of corporate actions have taken</p> <p>8 place with respect to that CUSIP?</p> <p>9 A. I would assume that information would</p> <p>10 be available from our systems. I've never gone</p> <p>11 in and asked to query that information, but if</p> <p>12 you're asking how I would solve the problem,</p> <p>13 should I have to solve it, to find out some</p> <p>14 information, I would start there.</p> <p>15 Q. Above the untested Lehman-issued ELNs</p> <p>16 row, there's a row for untested warrants, which</p> <p>17 is also valued at zero. Do you know why those</p> <p>18 warrants were valued at zero?</p> <p>19 A. Given we deem the BoNY information</p> <p>20 unreliable for the Lehman-issued warrants and</p> <p>21 the ELNs, as we've just discussed, and I think</p> <p>22 given if you look at the line above that where</p> <p>23 it says "untested equities," where we have shown</p> <p>24 the BoNY value to be significantly wrong, so 9</p> <p>25 million of equities per the BoNY files were</p> <p> TSG Reporting - Worldwide 877-702-9580</p>	<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 actually only worth 1 million per our</p> <p>3 independent data sources. We have arrived at a</p> <p>4 reasonable conclusion, which is that we don't</p> <p>5 want to rely on the values in the BoNY file. We</p> <p>6 don't think they're reasonable. As you can see,</p> <p>7 the 9 million goes down to almost 1. So, in the</p> <p>8 absence of data, rather than go with the BoNY</p> <p>9 value, we have ascribed them a zero value.</p> <p>10 Q. And for the tested -- sorry, returning</p> <p>11 to the untested equities?</p> <p>12 A. Yes.</p> <p>13 Q. So they gave it 9 million, you say</p> <p>14 it's 1 million?</p> <p>15 A. Yes.</p> <p>16 Q. And do you know what -- is it within</p> <p>17 that "Untested Equities" line?</p> <p>18 A. No, I don't recall specifically what's</p> <p>19 in there. It would have been illiquid equities.</p> <p>20 Q. And --</p> <p>21 A. Generally, where we have classified it</p> <p>22 as untested and are unable through our, you</p> <p>23 know, normal course of business extensive</p> <p>24 sourcing external data were unable to source a</p> <p>25 data point, I would be very wary of considering</p> <p> TSG Reporting - Worldwide 877-702-9580</p>

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2 the, you know, a data point from a bank like
3 BoNY to be reliable. Because if I cannot source
4 external data reliably, I don't see why BoNY
5 should be able to source external data reliably.

6 **Q. But in the ordinary course with an**
7 **illiquid security, you would, generally**
8 **speaking, start with a trader mark when you**
9 **would undertake price testing of that illiquid**
10 **security; is that correct?**

11 A. That's correct, in our normal course
12 of business.

13 **Q. And here you told us earlier that you**
14 **spoke to no one at Lehman and never looked at**
15 **the Lehman price in valuing the securities**
16 **within the equity portfolio; is that correct?**

17 MR. THOMAS: Objection to form.

18 A. Say that again. I --

19 **Q. Earlier we had discussed whether or**
20 **not you had access to Lehman data related to**
21 **illiquid positions and whether you had looked at**
22 **that and considered it in your valuation or**
23 **whether you had spoken to any former Lehman**
24 **traders that have come over to Barclays who had**
25 **familiarity with positions, and you said no; is**

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2 **that correct?**

3 A. That's correct. We did not discuss
4 with ex-Lehman traders, and I do not recall that
5 we looked at prices in the Lehman systems.

6 **Q. And so for illiquid securities where I**
7 **take it you're considering them illiquid because**
8 **there's not as much observable market data out**
9 **there as other securities; is that correct?**

10 A. Yes, illiquid, by illiquid, we would
11 say there's either little or, in some cases, no
12 market data available.

13 **Q. Your group doesn't take into**
14 **consideration either -- two available data**
15 **points, the Lehman data or the BoNY data; is**
16 **that correct?**

17 MR. THOMAS: Objection to form.

18 A. The BoNY data, as you can see, for
19 Lehman-issued ELNs and Lehman-issued warrants is
20 clearly wrong.

21 **Q. It's not clearly wrong, necessarily;**
22 **it's just not used by you; is that correct?**

23 MR. THOMAS: Objection to form.

24 A. I don't -- I don't think anyone at
25 that point in time would say \$178 million is the

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2 appropriate valuation for Lehman-issued
3 warrants, for an option on Lehman's stock, which
4 is now worthless because the company has gone
5 bankrupt.

6 It's not like a, you know, a creditor
7 claim or a bond or -- it's stock, which I
8 believe when a company goes bankrupt becomes
9 worthless. If you price an option and put a
10 zero stock price into it, you're going to get a
11 zero price.

12 So those warrants, which are just
13 options on Lehman's stock, don't have any value.
14 I don't see how they can have any value. I
15 don't see how anyone could reasonably argue they
16 have value. I definitely don't see how Bank of
17 New York could argue they're worth \$178 million.
18 That suggests to me they have some kind of stale
19 data price feeds.

20 This price feed from September 18,
21 which is, what, three days after Lehman declared
22 bankruptcy, still has \$178 million of value
23 ascribed to positions which, by definition of
24 what they are and what's happened in the market
25 that week three days earlier, cannot have any

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2 value at that point.

3 That to me suggests, as a data source,
4 BoNY is highly questionable for anything that's
5 illiquid. It suggests to me they're not doing
6 any data integrity checks before sending this
7 information out.

8 **Q. Does Barclays still use BoNY as its**
9 **custodian bank?**

10 MR. THOMAS: Objection to form.

11 A. I don't know.

12 **Q. You're not aware of Barclays switching**
13 **custodian banks since the Lehman transaction,**
14 **are you?**

15 A. I'm not aware, but I wouldn't be aware
16 of that. I have no reason to be aware of that.

17 **Q. Are you aware that Bank of New York is**
18 **one of the largest, if not the largest,**
19 **tri-party repo custodian in the country?**

20 A. If you tell me they are, I would
21 believe you.

22 **Q. And are you aware that they value**
23 **trillions of dollars worth of securities daily**
24 **in connection with their function as tri-party**
25 **repo custodians?**

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MR. THOMAS: Objection to form.

A. Again, if you tell me that's what they do, then I wouldn't disagree with you. I would question what those valuations mean and what they're for, but ...

Q. Do you have any role in calculating the performance of any of the securities that were transferred through the Lehman sale?

A. The performance? What do you mean by the "performance"?

Q. The performance of any of the assets subsequent to the transfer from Lehman to Barclays.

A. No, that's not something I was involved in.

Q. The P&L function would be handled through another part of PCG; is that correct?

A. That's correct.

Q. In December of 2008, there was a settlement with JPMorgan, and another set of securities were transferred which are referenced as the JPM inventory.

If you're okay with that terminology, we'll go with the "JPM inventory" for the

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securities transferred in December 2008. Is that okay?

A. That's fine with me.

Q. Okay. Did you have any role in valuing securities that were transferred from Lehman or from -- I'm sorry, from JPM to Barclays in December of 2008?

A. I don't recall specifically. It's quite possible that we did, but I don't recall the specific details.

Q. My question for you really is whether or not there were any equities that your group had responsibility for valuing that came over through the settlement in December of 2008?

A. I can't recall any specifically. I can't say unequivocally no, but I can't recall any.

Q. If you would turn to -- I think it will be the third flag in Deposition Exhibit 641A. Do you see where it says "Equity 9/30" --

A. What's the reference, sorry, just so I know I'm looking at the right thing for this?

Q. It is the liquidity tab of the Excel workbook Bates-stamped BCI-EX-(S)-00213995.

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Have you ever seen this document before?

A. Yes. It looks very similar to something you showed me earlier from the PwC work paper.

Q. And is this the liquidity haircuts that were taken by Barclays by asset class and subtype with respect to the --

A. I think I'm looking at the wrong thing here. Or my answer would be no, it's not that.

Is this what I should be looking at or not (indicating)?

Q. No, go to --

A. Shall I go to the other document? This document, yes? Which is still 641A. I still have the same thing.

(Document handed.)

MR. THOMAS: Where have we gone to? I was at the same place as the witness.

MS. CARRERO: It is -- what I had read out was BCI-EX-(S)-00213995, Liquidity tab.

Is that what the page before you --

A. I guess it's the same reference because it says "Equity 9/22 tab." Okay.

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"Liquidity" tab.

MR. THOMAS: It is the fourth flag.

MS. CARRERO: I'm sorry, I didn't flag my own as diligently as I flagged yours.

A. Okay.

Q. Have you seen this document before?

A. No, not to my recollection.

Q. And if you would look at the two "Equity 930" references about three-quarters of the way down the page.

A. Okay.

Q. Does that reflect the liquidity haircut being taken on any of the positions for which you and your team had responsibility for valuing?

A. I don't know what this is. I could conjecture what I think it says, but I'm not really aware -- we did not take a liquidity haircut for any of the positions that we assessed.

We assess the fair market value, which, as we've discussed previously, included an element of bid/offer provision or bid/offer adjustment, I should say. But at no point did

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<p>1 HIGHLY CONFIDENTIAL - Washtell 2 we discuss a liquidity haircut. 3 This file looks like it has a factor 4 of 1 anyway, which would imply a liquidity 5 haircut is zero for the equity in convertible 6 bond positions, but that's just me interpreting 7 what I see in front of me on the spreadsheet. 8 (Discussion off the record.) 9 (Recess; Time Noted: 3:37 P.M.) 10 (Time Noted: 3:59 P.M.) 11 THE WITNESS: Before we start, can I 12 just make a clarification on that last, one 13 of the last points we were talking about? 14 So when we were talking about the 15 Lehman-issued warrants in particular, I 16 think I made the point that, I think I may 17 have said they were all issued on Lehman's 18 stock, which I think may not be the case. 19 There may be some that were issued by Lehman 20 but on a different stock or a different 21 underlying. 22 I don't recall the facts exactly now, 23 but just to clarify. I still think the 24 point remains that, you know, they are still 25 warrants issued by a bankrupt counterparty, TSG Reporting - Worldwide 877-702-9580</p>	<p>1 HIGHLY CONFIDENTIAL - Washtell 2 Lehman Brothers, which is an equivalent to 3 having Lehman Brothers as a derivative 4 counterparty. And therefore, I think the 5 valuation of zero is still correct, but just 6 to clarify the wording that I used on that. 7 I just don't recall specifically now 8 whether that was the case. 9 BY MS. CARRERO: 10 Q. Do you know, subsequent to the 11 valuation for purposes of acquisition 12 accounting, whether Barclays marked those same 13 positions to? 14 MR. THOMAS: Objection to form. 15 A. I don't recall. 16 Q. Is it possible that they were marked 17 to a higher value than zero subsequent to -- 18 A. I don't believe that was -- that was 19 the case, but as I say, I don't recall 20 specifically. You know, it's not something -- 21 information that I have at hand. I don't 22 believe it would be the case. 23 Q. Do you know if they were sold for any 24 value? 25 A. Again, I don't believe that would be TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 HIGHLY CONFIDENTIAL - Washtell 2 the case, but I can't answer for definite. 3 Q. If that were the case anytime between 4 the acquisition date and the publishing of the 5 acquisition balance sheet, would your team have 6 taken that into consideration in marking the 7 positions to zero simply because they were 8 issued by a bankrupt entity? 9 MR. THOMAS: Objection. Form. 10 A. If I had information before the 11 finalization of the opening balance sheet that 12 these positions had been sold for some value, 13 then we would have taken that into consideration 14 in determining a non-zero value, but I did not 15 have that information. I'm not aware of any 16 such information. 17 Q. Where would you go if you wanted to 18 determine what happened to these positions 19 subsequent to the transfer from Lehman to 20 Barclays? 21 A. As I said previously, I would start by 22 looking at the settlement systems that they were 23 booked in. 24 Q. But you and your team never did that 25 in connection with valuing these securities; is TSG Reporting - Worldwide 877-702-9580</p>	<p>1 HIGHLY CONFIDENTIAL - Washtell 2 that what you're saying? 3 MR. THOMAS: Objection to form. 4 A. I'm saying that's not something we 5 didn't actively go look in the settlement system 6 to see if, on the day we finalized the opening 7 balance sheet, these positions were still booked 8 there or what had happened to them or any of the 9 other positions. 10 Q. At any time after the transfer of the 11 positions from Lehman to Barclays, did you or 12 your team attempt to ascertain whether or not 13 Barclays was able to sell the position for any 14 value? 15 A. No, but I don't believe that would 16 be -- as I said before, given that whether they 17 were warrants issued over Lehman's stock or 18 warrants issued over some other underlying this, 19 they're still warrants issued by Lehman 20 Brothers, which is now a bankrupt counterparty. 21 Q. Did you look to see if any warrants or 22 ELNs issued by Lehman were trading for any value 23 in the market at that point in time? 24 A. We looked for price information on 25 these securities, we looked for trading TSG Reporting - Worldwide 877-702-9580</p>

1 HIGHLY CONFIDENTIAL - Washtell
2 information on these securities, but we could
3 not find any.

4 **Q. Did you look for any Lehman-issued**
5 **notes pricing information given that the premise**
6 **for valuing it at zero was that they were issued**
7 **by a bankrupt entity?**

8 A. I don't recall specifically.

9 **Q. Would that be relevant in valuing the**
10 **securities at zero if priced at that value**
11 **simply because issued by a bankrupt entity?**

12 MR. THOMAS: Objection to form.

13 A. Could you repeat the question?

14 (Record read.)

15 A. When we say "would that be relevant,"
16 we mean?

17 **Q. Whether or not any Lehman-issued**
18 **instruments were trading for value in spite of**
19 **their being a bankrupt entity at that point in**
20 **time?**

21 A. I don't think we would change our
22 valuation. I think the valuation that we
23 ascribed to them as zero is appropriate.

24 **Q. But you agree it would be a relevant**
25 **piece of information if Lehman instruments were**

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2 trading for a value after the filing for
3 bankruptcy?

4 A. It could be a factor, yes.

5 **Q. If you could turn to a previously**
6 **marked deposition exhibit, 819, as well as**
7 **Deposition Exhibit 824, which should also be in**
8 **front of you.**

9 If you turn first to 819, the second
10 page under the heading "Bid/Offer Spread," and
11 turn to the line that provides, "Based on an
12 analysis of the securities, we were able to
13 obtain bid/offer spreads for about 2100 of the
14 3700 securities, which had an average bid/offer
15 of 2.64 percent." Do you see that?

16 A. Yes.

17 **Q. Earlier when we were discussing the**
18 **bid/offer spread, I believe you approximated the**
19 **number of bid/offer spreads available as of**
20 **September 22 as somewhere in the neighborhood of**
21 **450 to 500; is that correct?**

22 A. Yes, that is correct.

23 **Q. Do you know to what Mr. Morton is**
24 **referring to when he says that "we were able to**
25 **obtain bid/offer spreads for about 2100 of the**

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1 HIGHLY CONFIDENTIAL - Washtell
2 3700 securities"?

3 MR. THOMAS: Objection to form.

4 A. I obviously wasn't on the e-mail and I
5 didn't write it, but looking at the number, 2100
6 seems consistent with the population for which
7 we were able to obtain spreads in December.

8 **Q. Have you read any of the expert**
9 **reports that were submitted by Movants in this**
10 **matter?**

11 A. Yes.

12 **Q. Can you name those reports that you**
13 **have read?**

14 A. I believe one by Zmijewski, if that's
15 how you say it. Zmijewski.

16 **Q. Don't ask me to say it either.**

17 MR. THOMAS: Zmijewski.

18 MS. CARRERO: You have learned since
19 the deposition.

20 MR. THOMAS: Well, I went to school in
21 Poland and speak Polish.

22 A. I think another one was Garvey. There
23 were -- there are other names. Slattery was
24 another one.

25 **Q. And do you recall in Mr. Zmijewski's**

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1 HIGHLY CONFIDENTIAL - Washtell
2 report that he had come up with a number close
3 to 2100 of available bid/offer spreads on
4 September 19?

5 A. Yes, I recall reading that in the
6 document.

7 **Q. I'm trying to understand the lack of**
8 **availability on September 22 -- scratch that.**

9 The 2100 number in Mr. Zmijewski's
10 report for September 19 is similar to the 2100
11 number that you say was available in December,
12 correct?

13 A. 2100 in December. 2100 in the report.
14 The two numbers are the same. Similar.

15 **Q. Why is it that Barclays was able to**
16 **only come up with 450 as of September 22?**

17 A. The data source I believe that's used
18 by Zmijewski in that report is Bloomberg. I
19 believe, having looked at the data that's
20 available from Bloomberg, that it is flawed,
21 that there are problems with data integrity.

22 I believe these are highlighted by
23 Zmijewski in his report when he discusses the
24 fact that, in certain circumstances, he gets
25 negative prices which he has to exclude. In

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<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 certain other circumstances, he gets negative</p> <p>3 bid/offer spreads, which he also has to exclude.</p> <p>4 Now, the existence of negative</p> <p>5 bid/offer spreads in particular would lead me to</p> <p>6 have concerns about whether the data that's</p> <p>7 available in Bloomberg represents a true</p> <p>8 bid/offer, executable bid/offer that is</p> <p>9 available in the market at a point in time</p> <p>10 because you could not have a negative bid/offer</p> <p>11 in the market. It doesn't exist. Couldn't</p> <p>12 exist.</p> <p>13 Q. And --</p> <p>14 A. So the use of the Bloomberg data I</p> <p>15 think is flawed. I think this doesn't just</p> <p>16 apply to the illiquid stocks.</p> <p>17 We had a look at this, I had a look at</p> <p>18 this after I read the Zmijewski paper, and for</p> <p>19 some of the more liquid stocks in the portfolio,</p> <p>20 I think we looked at -- looking at the largest</p> <p>21 15 positions, just glanced at Bloomberg data for</p> <p>22 a random sample of data, and can clearly see</p> <p>23 zero bid/offer spreads and negative bid/offer</p> <p>24 spreads based on closing price information. So</p> <p>25 I would question the integrity of that data of</p> <p> TSG Reporting - Worldwide 877-702-9580</p>	<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 Bloomberg.</p> <p>3 Now, the reason we used Reuters is not</p> <p>4 because I didn't trust Bloomberg data in</p> <p>5 September 2008, but we used Reuters data because</p> <p>6 that's our principal data provider within the</p> <p>7 bank for equities data. Now, when we queried</p> <p>8 information, we were able to obtain it for, as I</p> <p>9 say, 450, 500 names, something like that.</p> <p>10 We didn't observe examples of negative</p> <p>11 spreads. We didn't observe anything that led us</p> <p>12 to think there was any problem with the data</p> <p>13 that we were using, any issues over the</p> <p>14 integrity of that data. We just accepted that,</p> <p>15 okay, it's after the fact here. The</p> <p>16 availability of good closing bid-ask data is</p> <p>17 going to be limited for this population after</p> <p>18 the fact because it's not the same as getting</p> <p>19 live bid-ask data.</p> <p>20 So, coincidental to the fact that he</p> <p>21 could query a similar number that we could query</p> <p>22 in December, I can't really talk to that, but I</p> <p>23 can say I think there are significant flawed</p> <p>24 assumptions in what he's doing, and by excluding</p> <p>25 certain data and just ignoring it and carrying</p> <p> TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 on with the data that's there, that doesn't seem</p> <p>3 like a reasonable thing to do to me to arrive at</p> <p>4 an appropriate number.</p> <p>5 Q. In turning back to 819, where the 2100</p> <p>6 of the 3700 securities had an average bid/offer</p> <p>7 of 2.64 percent?</p> <p>8 A. Yes.</p> <p>9 Q. Do you see that?</p> <p>10 A. Yes, I do.</p> <p>11 Q. How does that, if you then turn to</p> <p>12 824, Deposition Exhibit 824, where the average</p> <p>13 spread for December 18 data is listed as only</p> <p>14 1.93 percent --</p> <p>15 A. Yes.</p> <p>16 Q. -- do you, from the difference of 2.64</p> <p>17 percent to 1.93 percent, think that Mr. Morton's</p> <p>18 e-mail is referencing the availability of</p> <p>19 bid/offer spread information on Bloomberg as</p> <p>20 opposed to the December spread information that</p> <p>21 was ultimately used?</p> <p>22 A. No, I don't think he's doing that. I</p> <p>23 think what you see in that e-mail, which is</p> <p>24 dated December 12, which is clearly before</p> <p>25 December 18, which is in the second file, would</p> <p> TSG Reporting - Worldwide 877-702-9580</p>	<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 be based on Reuters data. Because we were not</p> <p>3 querying, as far as I recall, bid/offer data</p> <p>4 from Bloomberg.</p> <p>5 I believe one potential reason for the</p> <p>6 difference, and again, I didn't write the e-mail</p> <p>7 and I can't recall exactly the details, this is</p> <p>8 conjecture, but potentially it was that it was</p> <p>9 one of the sample days that we looked at earlier</p> <p>10 in December, as I said earlier, hence a slightly</p> <p>11 different number.</p> <p>12 It may also have been because in his</p> <p>13 final dataset we excluded spreads that were</p> <p>14 wider than 50 percent, and I'm not sure if that</p> <p>15 is represented in this 2.64 which is being</p> <p>16 referenced by Marcus. I definitely don't</p> <p>17 believe it was because Marcus is looking at</p> <p>18 Bloomberg.</p> <p>19 Q. Again, looking at 824, and the</p> <p>20 population covered by spread data is 86.1</p> <p>21 percent; is that correct?</p> <p>22 A. That's what I read from the summary</p> <p>23 page.</p> <p>24 Q. Yet, 2100 divided by 3700 securities</p> <p>25 would be substantially lower than a 86.1 percent</p> <p> TSG Reporting - Worldwide 877-702-9580</p>

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figure; isn't that correct?

A. What is correct is that 86.1 percent figure represents the percentage of market value that's covered within those 2100 stocks. So it's not 2100 divided by 3700, it's 7.6 billion divided by 8.85 billion.

So, in terms of number of securities, yes, it's a lower percentage. In terms of what this number represents, it doesn't represent that. It represents the proportion of the market value, which is the more relevant statistic.

Q. Mr. Washtell, I'm putting before you what has been marked as Deposition Exhibit 832.

(Exhibit 822, a document bearing Bates Nos. BCI-EX-(S)-00176765 through 176767, marked for identification, as of this date.)

Q. So, Mr. Washtell, I stand corrected. You have before you Deposition Exhibit 822.

A. Okay.

Q. Looking at the e-mail at the top from --

A. Can I just read it?

Q. If you want to read the whole thing,
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sure.

A. If you don't mind.
(Document review.)

A. Okay.

Q. Looking at the e-mail at the top from you to Steven Calick and Eric Clark dated September 24, do you see that?

A. Yes.

Q. And the subject is "Update: LBI Positions Rec and IPV analysis." Do you see that?

A. Yes.

Q. And do you know what "IPV analysis" refers to?

A. Independent price verification. It's another terminology for price testing, i.e., the core function of our valuations team, price testing.

Q. And do you see where you write, "Kate and I have just spoken to Nick Leyhane on this. He is happy in principle with what we have done (based on the closing positions from yesterday) and agrees we should be seeing approximately \$400 million increase in value between 18th and 19th,"
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19th"?

A. I see that, yes.

Q. Who is Nick Leyhane?

A. At the time, he was the head of the Arbitrage Trading Desk at Barclays, Equity Arbitrage Trading Desk.

Q. And why was Nick Leyhane happy about \$400 million increase in value between the 18th and the 19th?

MR. THOMAS: Objection to form.

A. You're slightly misreading or misinterpreting the sentence. From my reading of this, and albeit I don't recall writing this because it was 18 months ago, it says "he is happy in principle with what we have done." I don't think it says he's happy with a \$400 million increase. I think it says he agrees we should be seeing a \$400 million increase.

Q. And why would he be involved in the calculation?

A. I believe at this time, as we were reviewing positions to effectively perform a price test, as you can see from the title of the e-mail, this is very much us trying to perform

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an IPV analysis on a set of positions we received.

We have reviewed that with someone in the business. I believe I mentioned earlier that we discussed with the traders on a regular basis. Nick Leyhane, as a senior member of trading management within London, we have reviewed our analysis and our views on this portfolio with him.

Q. And so does that mean that your group, in valuing the securities within the equity portfolio that came over from Lehman, did so in conjunction with the trading desks or business side of Barclays?

A. No, I don't think this is saying we did something in conjunction with them. I think this is saying we discussed some analysis we have performed with them to ask them for their opinion.

Q. And when you write, "He agrees we should be seeing approximately \$400 million increase in value between 18th and 19th," you're saying he agrees with the analysis that your team had run, is that correct, as opposed to his

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own --

A. Yes.

Q. -- valuation?

A. I believe that's what he's saying, based on his expectation and his understanding of what had happened in the market, I guess.

Q. Was anyone else on the business side or any Barclays traders reviewing the valuations that your team was working on?

A. From reading this, it says at the bottom, "We did not manage to catch Andrea." I believe that's a reference to Andrea DeCarolis, who is the global head of Convertible Bond Trading at Barclays Capital.

It looks like at that time we would have been discussing the valuation of the convertible bond part of the portfolio and the analysis we had done on that with him. Again, I don't recall specific conversations, but from reading this e-mail, it would appear to be.

Q. And is there anyone else you recall other than Nick and Andrea?

A. No, not that I recall.

Q. And if there were increases to the
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value of positions from the 18th to 19th, would that flow onto the P&L of any specific desk or business side of Barclays?

MR. THOMAS: Objection to form.

A. I don't believe anything we were doing here would have had an impact on P&L. It would have been flowing downstream anyway.

As I said, this is me discussing an analysis on a list of positions we received in the spreadsheet with Nick Leyhane. It's not driving any management accounting profit and loss report.

Q. Would you agree with me that if a position were to be marked subsequent to the opening balance sheet at a price higher than what it had been accounted for on the opening balance sheet, that would trigger a P&L event and reflect a higher profit for Barclays' desk?

MR. THOMAS: Objection to form.

A. If I understand the question, if we originally booked something at a value and the price goes up and we're long that position, would we recognize a profit? Yes.

Q. And do you see the e-mail below from
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Stephen Calick to you and others dated September 24 immediately below?

A. Right. Okay.

Q. Do you see the last line where it says, "The valuation date is the 19th"?

A. I do.

Q. Do you recall being told that by Stephen Calick?

MR. THOMAS: Objection to form.

A. I don't recall the discussions, but clearly this is an e-mail addressed to me. I guess I would clarify that this is based -- this is some IPV analysis, as you can see, as the e-mail is titled. This is regarding a position reconciliation, an IPV analysis on some positions, which it appears Steve has requested or specified should be done as of a certain date.

Q. You believe that valuation or IPV analysis is related to the positions that were transferred from Lehman as part of the sale transaction; is that right?

MR. THOMAS: Objection to form.

A. I believe, looking at this now, this
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would have related to that population of positions, but at this time, just to clarify, I don't believe we would have been looking at putting together an opening balance sheet calculation in relation to any transaction.

We were, as this says, engaged in performing a position reconciliation and an IPV analysis for a set of positions that we had received as of a date that we had been instructed to do that. So it's slightly different, I guess, is what I'm saying.

Q. Back up to your e-mail above, in the last paragraph you write, "We did not manage to catch Andrea today so we will grab him tomorrow morning. This will be a more interesting discussion, as we have limited coverage on the converts, and I know he has expressed views that the positions needed to be written down from the BoNY values." See that?

A. I do see that.

Q. Do you recall receiving commentary from the business side of Barclays that the positions needed to be written down?

MR. THOMAS: Objection to form.

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1 HIGHLY CONFIDENTIAL - Washtell
2 A. No, I don't recall receiving that
3 commentary, as you put it. Clearly, from my
4 e-mail here, it suggests I've been made aware
5 that Andrea has expressed concerns over the BoNY
6 values, concerns that I guess they may not be
7 appropriate and may reflect inflated prices for
8 these securities.

9 Q. And did that expression by the
10 Barclays traders impact the valuation that you
11 and your group undertook of those positions?

12 A. No, because we still independently
13 assessed the fair value. We still sourced the
14 data that we used to arrive at that fair value
15 independently. We didn't rely on the trading
16 desk for any valuations of those securities.

17 Q. But the trading desks were reviewing
18 and commenting on what they felt should be done
19 with the positions, according to this e-mail; is
20 that correct?

21 A. According to this e-mail, it sounds
22 like the trading desks are commenting that they
23 think the BoNY values are not correct. It also
24 sounds like at the time I wrote this e-mail we
25 did not have complete coverage of the

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2 convertible population from the data that we had
3 sampled at that point in time.

4 So it sounds like we had incomplete
5 information. The trading desk had expressed
6 their view, but that would not have had any
7 bearing on ultimately the valuations that we
8 used because they were based on independent data
9 which we, as I say, obtained independently and
10 independently from the trading desk.

11 Q. Mr. Washtell, I'm putting before you
12 what has been marked as Deposition Exhibit 823.
13 (Exhibit 823, a document bearing Bates
14 Nos. BCI-EX-(S)-179808 through 179821,
15 marked for identification, as of this date.)

16 A. Do I need to read all of this?

17 Q. If you will start at the top e-mail
18 from Jerry Shi to yourself and dated September
19 25, subject: "Price testing -
20 Converts/Eqty/Preference," and read over that
21 e-mail as well as the attached, if you want to
22 turn to the attachment.

23 A. So read all of it, yeah?

24 Q. Well, that e-mail is what attaches the
25 document at the back.

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1 HIGHLY CONFIDENTIAL - Washtell
2 (Document review.)

3 A. You wanted me to read all of this
4 attachment?

5 Q. Just if you want to take a look at the
6 front --

7 A. I can read it. It'll just take me
8 five minutes. Are you going to focus on a
9 specific part?

10 Q. Yes. You don't have to read the whole
11 attachment. Let's just start with the e-mail.
12 And do you see where Mr. Shi writes, "Most of
13 the cash equity products have observable market
14 prices"?

15 A. Yes.

16 Q. Would you agree with that statement?

17 MR. THOMAS: Objection to form.

18 A. I don't recall specifics, but if Jerry
19 is saying for most cash equity products we have
20 observable market prices, and I believe from the
21 analysis we have been through today, for most of
22 the positions we were able to obtain data. So
23 that doesn't sound like an unreasonable
24 statement.

25 Q. And is what Mr. Shi has attached for

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1 HIGHLY CONFIDENTIAL - Washtell
2 you in this e-mail Lehman's convertibles
3 Americas price testing policy?

4 A. That is certainly what it appears to
5 be.

6 Q. And is he attaching that for you
7 because Barclays did not at the time have one of
8 its own price testing policies for converts,
9 equities and preferreds?

10 A. No, I don't believe that's the reason.
11 Because we did have convertible bonds, for
12 instance, and a process and policy around that.

13 Q. And so --

14 A. I've -- I guess he's just -- I can't
15 say specifically why he's attaching it. I
16 assume he's attaching it to provide some
17 information as to what his team does.

18 Q. Do you see the e-mail below where you
19 write to Mr. Shi on September 15 -- I'm sorry,
20 September 25, introducing yourself, and then in
21 the second-to-last -- no, I'm sorry, the last
22 paragraph, you write, "Could you please send
23 over whatever analysis you have most recently
24 done for these positions? And if you do have
25 anything on the cash equity side would be very

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1 **HIGHLY CONFIDENTIAL - Washtell**
2 **interested to see it for comparison to what we**
3 **have sourced"?**

4 A. Yes, I see that.

5 **Q. And Mr. Shi at the time was**
6 **transitioning from Lehman to Barclays; is that**
7 **correct?**

8 A. That's correct.

9 **Q. And so when you ask him if he has**
10 **anything, are you asking him if Lehman has**
11 **analysis on these positions?**

12 A. I believe I'm asking him in his role
13 as independent valuation controller for Lehman
14 Brothers for equities whether he has analysis on
15 the -- independent valuation analysis on their
16 population of convertible bonds.

17 **Q. And do you recall how that information**
18 **was used?**

19 A. I don't recall. If you look at the
20 date of the file, the zip file, it says 08/29,
21 so it looks like he's provided the August
22 month-end price testing results for convertible
23 bonds along with the price testing policy.

24 I know we did not use any August price
25 data in our analysis, so I don't know

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1 **HIGHLY CONFIDENTIAL - Washtell**
2 specifically how that was used.

3 **Q. And was Mr. Shi involved in the**
4 **valuation of any of the converts, equity or --**
5 **is that preference?**

6 A. Preference shares. Yes, preference
7 shares.

8 **Q. Preference shares?**

9 A. Preference shares.

10 **Q. Preference shares.**

11 A. Sorry. My accent. End of the day.
12 Yes.

13 Sorry. The question is, was Mr. Shi
14 involved? As I said earlier, certainly members
15 of his team were involved in obtaining data for
16 me for the analysis.

17 **Q. And from the appearance of this**
18 **e-mail, it appears that data includes Lehman**
19 **data; is that correct?**

20 A. In this e-mail, he looks to have
21 provided some data and some analysis from Lehman
22 Brothers. I don't believe any of the data, or I
23 don't recall that any of the data that we
24 sourced from his team for the valuation was
25 based on the Lehman Brothers' data.

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1 **HIGHLY CONFIDENTIAL - Washtell**
2 From my recollection, members of his
3 team were principally involved, for example, in
4 querying data for me from Bloomberg or from IDC
5 or other external data vendors that they would
6 have access to.

7 **Q. Mr. Washtell, do you know who**
8 **Professor Paul Pfleiderer is?**

9 A. I'm aware of him, yes.

10 **Q. Can you tell me what your awareness is**
11 **of him?**

12 A. My awareness is that he's working on
13 behalf of our legal team as in the capacity as
14 some kind of expert.

15 **Q. And have you had any conversations**
16 **with Professor Pfleiderer?**

17 A. I don't believe I've had direct
18 conversations with him. I've certainly been on
19 various conference calls with the legal team and
20 representatives from whatever financial
21 consultants, et cetera, are part of that team.
22 He may have been on those calls. I don't know.

23 **Q. Were those all conference calls or**
24 **were they in-person meetings as well?**

25 A. Everything was a conference call prior

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1 **HIGHLY CONFIDENTIAL - Washtell**
2 to meeting with the lawyers in preparation for
3 this today. So everything prior to this week
4 was in conference call.

5 **Q. Have you read Professor Pfleiderer's**
6 **report?**

7 A. Not in full, in detail.

8 **Q. When did you review his report?**

9 A. I said I haven't read it in full, in
10 detail. I've seen it.

11 **Q. And that's why I used the word --**

12 A. Review.

13 **Q. -- "review" as opposed to "read."**

14 **When did you receive a copy of**
15 **Professor Pfleiderer's report?**

16 A. I don't recall specifically.

17 **Q. Do you recall if it was a month or**
18 **less ago?**

19 A. It was more than that.

20 **Q. Was it three months ago?**

21 A. I don't know. More than a month. I
22 don't know beyond that. It's ...

23 **Q. Was it in the winter?**

24 A. Was it this year or last year? I
25 don't recall. It may have been the start of

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<p>1 HIGHLY CONFIDENTIAL - Washtell 2 this year. It may have been the end of last 3 year. It may have been two months ago, four 4 months ago. We've been looking at an awful lot 5 of documents. 6 Q. Had the report been finalized at the 7 point that you saw it? 8 MR. THOMAS: Objection to form. 9 A. I don't know. I don't recall if it 10 said final version. I don't recall being told 11 if it was final version or draft. I don't ... 12 Q. Were you asked to comment on it? 13 A. No. 14 Q. And prior to the submission of the 15 report, do you recall how many conversations you 16 had in connection with the preparation with it? 17 MR. THOMAS: Objection to form. 18 A. I don't recall having any 19 conversations in relation to the preparation of 20 the document. 21 Q. And did you sit down with the -- did 22 you have conference calls with the Financial 23 Scholars Group prior to the submission of 24 Professor Pfleiderer's report? 25 MR. THOMAS: Objection to form. TSG Reporting - Worldwide 877-702-9580</p>	<p>1 HIGHLY CONFIDENTIAL - Washtell 2 A. I don't know when it was submitted. I 3 don't know when it was prepared. I've been on 4 conference calls with representatives from the 5 legal team which may or may not have included 6 representatives from FSG. I don't know 7 specifically who was on those calls and what the 8 output of those meetings was going towards. 9 Q. Do you recall if you had any calls 10 with the legal team or the Financial Scholars 11 Group prior to January 8 of this year in 12 connection with the preparation of Professor 13 Pfleiderer's report? 14 MR. THOMAS: Objection to the form. 15 Among other things, asked and answered and 16 assumes facts not in evidence. 17 A. It sounds like I answered it already, 18 no? 19 MR. THOMAS: Well, you can go ahead 20 and respond. 21 A. What was the question? 22 (Record read.) 23 A. I don't recall. I don't recall having 24 any specific conversations in preparation -- 25 with the purpose of preparation of a report, and TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 HIGHLY CONFIDENTIAL - Washtell 2 I don't recall the timing of the conference 3 calls that I have been involved in with these 4 guys. 5 Q. So you don't recall explaining to the 6 Financial Scholars Group or anyone else working 7 under Professor Pfleiderer's direction the 8 policies and procedures that were followed in 9 pricing the equities or the outcome of the 10 equity valuation; is that correct? 11 MR. THOMAS: You're going into the 12 content of calls with his attorneys. The 13 only calls he remembers were with his 14 attorneys. He doesn't even know if FSG was 15 on them and you're going into the content of 16 those calls, so I'm going to instruct the 17 witness not to answer based on privilege. 18 MS. CARRERO: To the extent that 19 they're all an original source of 20 information that was used in any report 21 prepared by a Barclays' expert and any 22 testifying expert material, I'm not sure 23 that I agree that it would be subject to 24 privilege, but if those conversations didn't 25 happen and feed into a testifying expert's TSG Reporting - Worldwide 877-702-9580</p>	<p>1 HIGHLY CONFIDENTIAL - Washtell 2 report, then just that's fine and you can 3 just tell me to back off and end the 4 inquiry. I just want to know whether or not 5 there were any conversations -- 6 MR. THOMAS: I'm not going to tell you 7 what the purposes of our privileged 8 conversations were with our client. I'm 9 going to instruct the witness not to answer. 10 BY MS. CARRERO: 11 Q. Did you have any conversations with 12 the Financial Scholars Group or anyone working 13 at the direction of Barclays' testifying expert, 14 Professor Pfleiderer? 15 MR. THOMAS: Objection. Asked and 16 answered. 17 A. Exactly what I said previously. All 18 calls, discussions I've had on this have been 19 conference calls with the lawyers. Who else was 20 on those calls I don't recall. 21 Q. And can you recall how many 22 conversations you've had with the lawyers prior 23 to January of 2008 -- I'm sorry, prior to 24 January of 2010? 25 MR. THOMAS: Objection to form. TSG Reporting - Worldwide 877-702-9580</p>

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A. I don't recall how many, no.

Q. Do you recall if you supplied any documents in connection with requests from counsel?

MR. THOMAS: Objection to form.

A. I don't recall.

(Recess; Time Noted: 4:55 P.M.)

(Time Noted: 5:02 P.M.)

MS. CARRERO: I have no further questions. Thank you, Mr. Washtell.

EXAMINATION BY

MR. OXFORD:

Q. Good afternoon, Mr. Washtell. My name is Neil Oxford. I'm with the law firm of Hughes Hubbard and we represent the LBI SIPA Trustee in this matter.

Can you remind me, please, what your title was in 2008?

A. In September 2008, my corporate title was vice president and I was responsible for the Independent Valuation Group for the equity derivatives business.

Q. In that capacity, sir, did you have responsibility for valuing Barclays'

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exchange-traded derivatives?**

A. We would have had responsibility for assessing the valuation, the fair value of equity-related exchange-traded derivatives within the Barclays Capital, yes.

Q. So just so we're talking the same language here, sir, perhaps we can use an example. If Barclays had an equity derivative that was cleared through the Options Clearing Corporation in the U.S., would that have been something that was within your responsibility?

A. I'm not sure specifically what clears through the OCC, but, for example, if we had a listed option on the S&P 500, then, yes, that is something -- and that was held at Barclays Capital at that time, that is something my team would have been engaged in assessing the valuation of.

Q. Was your team responsible for valuing those exchange-traded derivatives on a regular basis? Was it daily? weekly? quarterly?

A. In the same way as we performed periodic price testing, price verification for the rest of the derivatives portfolio, we would

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have done a periodic review for the exchange-traded derivatives. That would generally have been at month-end and been performed on a monthly basis.

Q. Was that something that you personally were involved in, the periodic reviews around the time of September 2008?

A. I would have been reviewing the results of all analysis that was performed. I would not have been performing the analysis. Someone within my team would have been doing that.

Q. Did Barclays have written policies in place in September/October 2008 to govern this periodic review that you have just testified to?

A. The price testing policy?

Q. Yes.

A. Yes. It's a similar document to the one we reviewed earlier, which was dated I think May 2009.

Q. Does it have a particular name, the policy that would be governing the price testing policy for exchange-traded derivatives?

A. The Global Price Testing Policy. I

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believe that's what it was called.

Q. Broadly speaking, sir, can you tell me what the price testing policy provides for in connection with Barclays' valuation of exchange-traded derivatives? That's a long-winded way of saying how does the price testing work?

A. The price testing policy would merely -- or, not merely, would state that we should assess all available data sources -- I'm paraphrasing here, but it would say we should use all available information, we should use independent, reliable, where possible, executable data sources, and use multiple sources to arrive at an assessment of the appropriate valuation of securities.

Q. Now, we've heard a lot of testimony about mid prices and bid prices and offer prices and ask prices, et cetera.

In connection with the exchange-traded derivatives, were these priced on Barclays' books at mid, bid or ask, or some combination thereof?

A. We're talking now exchange-traded

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2 derivatives on Barclays' books, nothing to do
3 with acquisitions, just generically?

4 **Q. Yes. I'm asking just generally what**
5 **Barclays' policies were with respect to equity**
6 **options September/October 2008.**

7 A. Right. So, at that point in time,
8 listed equity options would have been valued at
9 a theoretical value in the same way we would
10 value an OTC equity option.

11 The way that is done is obviously a
12 series of option pricing input parameters are
13 marked, including, obviously, the spot prices, a
14 basic -- an interest rate, a dividend
15 assumption, a repo assumption, a volatility
16 assumption.

17 Those parameters would generally be
18 marked at a mid market level. We would then,
19 offline, take bid/offer adjustments against
20 those parameters.

21 **Q. And would the bid/offer adjustment be**
22 **different depending whether the position was**
23 **long or short?**

24 A. Generally, the way bid/offer would
25 apply is a long position you would mark down to
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2 bid. If you're marking your portfolio at mid,
3 you would mark it down to bid. A short position
4 you would mark it up to the offer because that
5 represents the reasonable exit level that you
6 would expect to close out of that position.

7 **Q. Sticking with the month-end price**
8 **testing that your group conducted in 2008, sir,**
9 **was the mid price taken for a particular day?**
10 **Would it be the last trading day of the month?**

11 A. At month-end?

12 **Q. Yes.**

13 A. For a month-end analysis?

14 **Q. Yes.**

15 A. For our purposes, we would try and
16 ascertain the mid price as of the month-end
17 date, yes. We would factor in information
18 available on that day as well as potentially
19 information available before and after that day
20 to assess. And obviously, it depends on the
21 relative liquidity of instruments as to whether,
22 if you have an illiquid instrument, you don't
23 have maybe an observable trade that day, maybe
24 you haven't had an observable trade in the
25 previous four days, so you may have a trade the
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2 following morning, in which case we would take
3 that into account.

4 But the aim would be to achieve an
5 appropriate fair value for that month-end close
6 date, using all available data that's available
7 to us at that time.

8 **Q. And if a mid price were available for**
9 **a particular instrument as of the very date that**
10 **is the month-end, you would use the mid price as**
11 **of that date, correct?**

12 A. Generally speaking, yes.

13 **Q. You mentioned that you would offline**
14 **apply a bid/offer adjustment. Can you explain**
15 **what you meant by that?**

16 A. Yes. So when we are marking
17 derivative portfolios and the parameters that
18 you would use to value derivative portfolios,
19 they would be marked by the trading desk on a
20 daily basis at a midlevel.

21 The reason for that is you have one
22 parameter that goes in the system to value both
23 long and short positions and your modeling won't
24 distinguish between a long or a short in that
25 parameter. It will pick up a volatility surface

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2 to price an option. It won't give you a
3 different option price, whether you're long or
4 short.

5 But the reality is, from an accounting
6 fair value perspective, we need to hold -- and
7 the fair value of an instrument is different
8 whether we're long or short because fair value
9 represents an exit price. For that reason,
10 bid/offer calculations for derivative portfolios
11 would generally be done while I would say
12 offline, i.e., outside of the trading system,
13 not part of the daily valuation, but a separate
14 monthly calculation -- for example, monthly, not
15 necessarily always monthly.

16 **Q. And would the bid/offer data that's**
17 **used in that adjustment process you have just**
18 **testified to, sir, would that, in your month-end**
19 **price testing activity, would that bid/offer**
20 **data be the same date as the date on which the**
21 **mid price was taken, or would it be a different**
22 **date?**

23 A. We would generally sample a series of
24 observation dates to increase the richness or
25 the quality, amount of data that we're getting.

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<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 We would generally sample over a</p> <p>3 period of, say, one week, potentially over the</p> <p>4 period of a month, and generally then apply some</p> <p>5 kind of average to the spread that we observe</p> <p>6 over that period, rather than taking a</p> <p>7 point-in-time check.</p> <p>8 Q. And can you explain to me why you</p> <p>9 would use an average of bid/offer spreads to</p> <p>10 adjust a midpoint price taken from one</p> <p>11 particular day in this case, generally the</p> <p>12 month-end?</p> <p>13 A. The rationale behind it?</p> <p>14 Q. Yes, that's what I'm looking for.</p> <p>15 A. I mean the bid/offer spread is</p> <p>16 slightly different to the current market price,</p> <p>17 mid value -- not market price, the current mid</p> <p>18 value of a security, which will be very much</p> <p>19 dependent on, you know, key market factors,</p> <p>20 developments, the macroeconomic environment,</p> <p>21 whatever you can -- the markets will move.</p> <p>22 Bid/offer spreads per se won't tend to move that</p> <p>23 much over a period of, say, a week, but you can</p> <p>24 have variability at various times in the market</p> <p>25 depending on the broker that's publishing a</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 quote.</p> <p>3 You can also have variability because</p> <p>4 brokers will at some point for derivative</p> <p>5 portfolios we're talking here, you know,</p> <p>6 initially publish a wide quote to get some</p> <p>7 market interest, but then if you address or show</p> <p>8 some interest in that quote, that potentially</p> <p>9 tightens.</p> <p>10 So there's variability about picking</p> <p>11 one quote on one particular day. For that</p> <p>12 reason, we always like to apply an average to</p> <p>13 get an average of what we would call these</p> <p>14 initial market quotes, you know, the tightened</p> <p>15 up market quotes, and then, you know, the final</p> <p>16 quotes before something gets executed to, once</p> <p>17 again, get an average across as many brokers as</p> <p>18 possible. So, yes, to get an average across</p> <p>19 types of quotes that you would see in the market</p> <p>20 as well as market participants and brokers.</p> <p>21 Q. Thank you. Tell me, Mr. Washtell, did</p> <p>22 you have any role in valuing the exchange-traded</p> <p>23 derivatives that Barclays purchased from Lehman</p> <p>24 Brothers in the fall of 2008?</p> <p>25 A. No, I don't recall having a role in</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 that.</p> <p>3 Q. Do you recall having any discussions</p> <p>4 with anybody in connection with the valuation of</p> <p>5 Lehman's exchange-traded options?</p> <p>6 A. Beyond -- I recall there was a</p> <p>7 discussion of a portfolio of exchange-traded</p> <p>8 options, but the specifics of the valuation was</p> <p>9 handled specifically by Jerry Shi rather than</p> <p>10 myself, and that's not something that I have or</p> <p>11 that I recall having detailed discussions on.</p> <p>12 (Exhibit 825, a document bearing Bates</p> <p>13 Nos. BCI-EX-(S)-00179867, marked for</p> <p>14 identification, as of this date.)</p> <p>15 Q. Mr. Washtell, I'm handing you what I</p> <p>16 have marked as Exhibit 825. We looked at a</p> <p>17 similar, earlier version of this e-mail chain</p> <p>18 when Ms. Carrero was asking you questions.</p> <p>19 A. Okay.</p> <p>20 Q. I'll identify it for the record as an</p> <p>21 e-mail from you to Jerry Shi, S-H-I, on Friday,</p> <p>22 the 26th of September, and the subject is "Price</p> <p>23 Testing - Converts/Eqty/Preferen."</p> <p>24 You're welcome to look through it. I</p> <p>25 wanted in the first instance to direct your</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 attention to the third page, which has a Bates</p> <p>3 number at the bottom right-hand corner that ends</p> <p>4 in 863. Do you have that page, sir?</p> <p>5 A. Yes.</p> <p>6 Q. You see midway down the page is your</p> <p>7 initial e-mail to Mr. Shi on the 25th of</p> <p>8 September? Do you have that part of the page,</p> <p>9 sir?</p> <p>10 A. Yes.</p> <p>11 Q. You say, "Hi, Jerry. By way of</p> <p>12 introduction, I work for Marcus Morton at BarCap</p> <p>13 and am responsible for equity derivatives price</p> <p>14 testing group over here. I work out of London,</p> <p>15 but we cover the asset class globally from</p> <p>16 here." Do you see that?</p> <p>17 A. Yes.</p> <p>18 Q. Do you remember reaching out to Mr.</p> <p>19 Shi in that matter?</p> <p>20 A. I don't recall writing this specific</p> <p>21 e-mail, but I recall making contact with Jerry</p> <p>22 and introducing myself, having conversations</p> <p>23 with him at this time.</p> <p>24 Q. Did someone instruct you to reach out</p> <p>25 to Mr. Shi?</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

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A. We were generally all encouraged at this point to reach out to our counterparts at Lehman.

Q. I may have missed it earlier. Did you report to Mr. Teague?

A. No, I report to Marcus Morton.

Q. Marcus Morton. And Mr. Teague's responsibility compared with yours is what?

A. Mr. Teague works for Marcus also. He was in the U.S. at the time and he's -- he works within Independent Valuation Control and he's responsible for some of the other asset class groups here in the U.S.

I dealt with Sean on -- or some of these queries that we were receiving in relation to this at the time that were coming from Marcus were funneled to me through Sean.

Q. I understand. The third paragraph of your e-mail to Jerry Shi says, "For now, we are looking to get price data for all the positions that have been transferred across our books. This is mostly cash, equities, ETFs, Pref's, MFs, et cetera."

What's the "ETF" a reference to?

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A. Exchange-traded fund.

Q. In this request to Mr. Shi, are you looking for information in connection with the valuation of the exchange-traded options that Barclays acquired from Lehman?

A. I don't believe so, no.

Q. Okay.

A. From reading the e-mail, it doesn't look like that to me.

Q. If you look on the front page of the exhibit, which has the Bates number 861 at the end of it?

A. Uh-huh.

Q. There's a reference to a list of a few questions you have for a meeting that you have with Mr. Shi?

A. Yes.

Q. And then that is actually attached as the last page of the exhibit, which ends Bates 868. Do you see that?

A. I'm missing that one.

MR. THOMAS: I don't have it either.

Q. Well, that should speed up the questions then.

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(Discussion off the record.)**

Q. Let me do it this way. It's missing from the document in front of you, sir, but I will represent to you that one of the questions on your list to Mr. Shi is: "What is the process for listed derivatives marking and testing?"

Assuming that to be an accurate representation of one of the many questions you wrote to Mr. Shi, does that refresh your recollection that that was a topic of discussion with Jerry Shi on that call?

MR. THOMAS: Objection to form.

A. It doesn't refresh my recollection of what we discussed, but from the sounds of the point you have there, it sounds like I wanted to discuss generically with him their practices at Lehman Brothers, and that makes sense to me. At that time, we would have been discussing our policies and procedures, their policies and procedures in relation to a number of different products, obviously.

Q. That's all I have for that exhibit.

(Exhibit 826, a document bearing Bates

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Nos. BCI-EX-(S)-182806 through 182807, marked for identification, as of this date.)

Q. It's only two pages so I think we managed to copy this correctly.

Mr. Washtell, I've handed you a document I marked as Exhibit 826, which is an e-mail from Jerry Shi to you on September 30. If you could take a look at that and let me know when you've had a chance to review it.

(Document review.)

A. Okay.

Q. Turning to the second page of the document, the first e-mail in the chain is an e-mail from Eric Clark to you, subject matter is "Listed Option Portfolio." Do you see that?

A. Yes.

Q. And who is Mr. Clark?

A. Eric Clark was at that time a director within Equity Derivatives Product Control in New York.

Q. Did you have a reporting relationship with Mr. Clark?

A. Not a reporting relationship, as in I didn't report to him and he didn't report to me

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<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 he.</p> <p>3 Q. And he didn't report to you?</p> <p>4 A. But as in his role as equities</p> <p>5 derivatives product controller, I would have</p> <p>6 interacted with him.</p> <p>7 Q. He writes to you, "Mark, do you have</p> <p>8 the info to be able to give a value as at the</p> <p>9 19th for the listed option portfolio that has</p> <p>10 been moving between Lehman and BarCap for the</p> <p>11 period since the acquisition and can you tell me</p> <p>12 what you would need if you do not? Thanks,</p> <p>13 Eric." Do you see that?</p> <p>14 A. I do see that.</p> <p>15 Q. Do you remember Mr. Clark making that</p> <p>16 request of you?</p> <p>17 A. I remember at this time there was</p> <p>18 general uncertainty and confusion as to the</p> <p>19 existence of a listed option portfolio and</p> <p>20 whether or how we could ascertain what it was</p> <p>21 and whether we needed to do anything with it, so</p> <p>22 broadly consistent with what we see here.</p> <p>23 Q. Do you remember Mr. Clark asking you</p> <p>24 if you can value the listed options portfolio as</p> <p>25 he does in this e-mail on the 30th of September?</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 A. I don't recall this specific e-mail,</p> <p>3 receiving it or responding to it, but I have no</p> <p>4 reason to believe that it didn't happen.</p> <p>5 Q. But it doesn't jog any memory that you</p> <p>6 have?</p> <p>7 A. Like I say, I recall conversations</p> <p>8 happening quite well after the fact. And this</p> <p>9 is clearly already a week and a day after the</p> <p>10 closing of the deal, and it would appear there's</p> <p>11 still significant uncertainty as to whether a</p> <p>12 portfolio exists from my response above, "As</p> <p>13 yet, I have not seen anything on this."</p> <p>14 Q. You see on the first page of the</p> <p>15 document, a couple of e-mails up the chain, Mr.</p> <p>16 Clark writes to you, after your reply, "Mark,</p> <p>17 these are the positions per the exchange. We'll</p> <p>18 need to get the info into Excel or will be</p> <p>19 unwieldy." And he lists the accounts that</p> <p>20 Barclays is viewing as theirs. Do you see that?</p> <p>21 A. I see that.</p> <p>22 Q. And then at the end, he says, "Please</p> <p>23 review and let's discuss how we can get an</p> <p>24 acquisition value. Thanks, Eric."</p> <p>25 Did you have any discussions with Mr.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 Clark after he sent you that e-mail about the</p> <p>3 topic of how to get an acquisition value for</p> <p>4 Lehman's exchange-traded options that Barclays</p> <p>5 had purchased around this time?</p> <p>6 A. I don't recall specific discussions I</p> <p>7 had with Eric. As I say, I recall at that time</p> <p>8 there was a lot of uncertainty around this</p> <p>9 portfolio, around whether it existed, what it</p> <p>10 was. From reading this, there's clearly some</p> <p>11 uncertainty about what systems it would or could</p> <p>12 be booked in.</p> <p>13 I believe ultimately it was booked in</p> <p>14 the Lehman systems, and the valuation work was</p> <p>15 performed by Jerry, to my understanding.</p> <p>16 Q. Do you know why the positions were</p> <p>17 booked in the Lehman system, sir?</p> <p>18 A. I don't know for definite, but my</p> <p>19 understanding from what I remember hearing at</p> <p>20 the time is the volume of positions we were</p> <p>21 talking about here would have been problematic</p> <p>22 for the BarCap systems, which is consistent with</p> <p>23 the fact Lehman was a market-making business and</p> <p>24 listed options and trades, tens of thousands of</p> <p>25 listed options positions, as opposed to BarCap,</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 HIGHLY CONFIDENTIAL - Washtell</p> <p>2 which was not.</p> <p>3 (Exhibit 827, a document bearing Bates</p> <p>4 Nos. BCI-EX-(S)-00231432 through 1433,</p> <p>5 marked for identification, as of this date.)</p> <p>6 Q. Mr. Washtell, I'm handing you what we</p> <p>7 have marked as Exhibit 827, which is an e-mail</p> <p>8 from Mr. Eric Clark to you and others on the</p> <p>9 25th of September, 2008. You'll let me know</p> <p>10 when you've had a chance to review that, please.</p> <p>11 (Document review.)</p> <p>12 A. Okay.</p> <p>13 Q. The original e-mail at the bottom of</p> <p>14 the chain is not sent to you, but it's forwarded</p> <p>15 to you and others by Mr. Clark. Do you see</p> <p>16 that?</p> <p>17 A. I see that, yes.</p> <p>18 Q. This relates to Lehman's positions at</p> <p>19 the OCC, correct?</p> <p>20 MR. THOMAS: Objection to form.</p> <p>21 A. I mean, I didn't write the e-mail and</p> <p>22 I can't talk specifically to what it relates to,</p> <p>23 but my understanding is this relates to I would</p> <p>24 know as the listed option positions that were</p> <p>25 part of the transaction.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

1 HIGHLY CONFIDENTIAL - Washtell
2 **Q. Was that your understanding when you**
3 **wrote your part of the chain to Eric Clark?**

4 A. Again, I don't recall the e-mail, but
5 it looks like my concern at the time is how
6 we're going to risk manage these positions, how
7 we're going to value these positions, how do we
8 ensure from a valuation control perspective that
9 these positions are covered. That looks and I
10 would guess is what my primary concern is at
11 that point in time.

12 **Q. And your understanding that the**
13 **positions that you're writing about here, sir,**
14 **are the same listed equity positions that you**
15 **gave me you mentioned in your answer a moment**
16 **ago, correct?**

17 MR. THOMAS: Objection to form.

18 A. Which answer? Sorry.

19 **Q. Let me try it this way. You write at**
20 **5:03 A.M. to Mr. Clark, "Thanks, Eric. Per your**
21 **understanding, then, are these positions going**
22 **to remain in the Lehman systems to be**
23 **risk-managed going forward?" You see that?**

24 A. Yes.

25 **Q. When you wrote the words "these**
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1 **HIGHLY CONFIDENTIAL - Washtell**
2 **positions," what did you mean?**

3 A. I assume I meant the listed option
4 positions that were part of the transaction, but
5 there's not a lot of information in this e-mail,
6 so it's -- it's, you know, OCC position.

7 My principal concern in this would
8 have been, as I say, there's a portfolio of
9 positions. Our New York head of Equity
10 Derivatives Trading is saying he's macro-hedging
11 these. They're booked in a system. Let's
12 figure out how we risk-manage them. My
13 principal concern is this is something we need
14 to look at from a valuation perspective.

15 **Q. Was it your understanding, sir, that**
16 **the positions referenced in this e-mail, the OCC**
17 **positions, were at the time of this e-mail, the**
18 **25th of September, still in OCC systems --**
19 **sorry, still in LBI's systems?**

20 A. From the e-mail I have written here, I
21 don't recall, again, I don't recall, but from
22 the e-mail here, I'm asking a question of
23 whether these positions are going to remain in
24 Lehman's systems, which implies they're
25 currently in Lehman's systems at this point in
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1 HIGHLY CONFIDENTIAL - Washtell
2 time.

3 **Q. Did you ever come to learn that the**
4 **positions were moved from Lehman's systems, sir?**

5 A. Not to my recollection.

6 **Q. Did you ever hear that Lehman's**
7 **systems were switched off after the closing**
8 **which necessitated a transfer of listed option**
9 **positions to Barclays?**

10 A. I don't recall hearing that, no.

11 **Q. That would be inconsistent, at least**
12 **as of the date of this e-mail, that would be**
13 **inconsistent with your understanding of the**
14 **position as reflected in the words you wrote on**
15 **this document, correct?**

16 MR. THOMAS: Objection to form.

17 A. Again, not recalling specifics at the
18 time, from what I've written in this e-mail
19 about the positions remaining in the Lehman
20 system, implies at that time my knowledge was
21 that they were booked in the Lehman's system.

22 MR. OXFORD: Thank you, sir. I have
23 no more questions for you.

24 MR. KAY: No questions from the
25 Committee.

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1 HIGHLY CONFIDENTIAL - Washtell

2 MR. THOMAS: Okay. I just have a
3 handful of questions.

4 EXAMINATION BY

5 MR. THOMAS:

6 **Q. Do you recall being asked if market**
7 **participants that conducted transactions would**
8 **take into consideration information about events**
9 **that had not yet happened?**

10 A. Yes.

11 **Q. Does the fact that a market**
12 **participant transacting something cannot take**
13 **into account future events which it doesn't**
14 **know, does it necessarily follow, does it**
15 **necessarily follow that, in estimating the fair**
16 **value of securities at a particular point in**
17 **time, you should ignore or exclude all**
18 **information about market conditions immediately**
19 **after that point in time?**

20 A. No, it does not follow. I would say,
21 on the contrary, as I was just mentioning, in
22 assessing fair value as of a point in time, we
23 would generally consider all information that we
24 have both on a particular day, but also in the
25 time period leading up to that day and the time

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1 HIGHLY CONFIDENTIAL - Washtell
2 period after that day.

3 So if we are assessing as part of our
4 monthly processing process, for example, the
5 valuations as of September 30, would we consider
6 market information, market trades and quotes
7 that are available on the 1st, 2nd, 3rd of
8 October, then yes, we would as part of our
9 normal practice.

10 **Q. Would it make any sense to you if you**
11 **were trying to measure, for example, an illiquid**
12 **security at a particular point in time, let's**
13 **say 12 noon, that in doing so, you would ignore**
14 **a trade in that security that occurred an hour**
15 **later?**

16 A. No, it would not make any sense to do
17 that. You would definitely consider that piece
18 of information as is quite key to assessing the
19 fair value, I would say.

20 **Q. Is considering market information**
21 **after a particular valuation point in time**
22 **something that is consistent with Barclays'**
23 **valuation practices and procedures?**

24 A. Absolutely, yes, it's consistent with
25 how we perform our monthly processing process.

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1 HIGHLY CONFIDENTIAL - Washtell
2 It's documented in our processing policy
3 application guidelines. It's something that we
4 have regularly discussed with our auditors.
5 Additionally, it's something I have discussed
6 with our regulators.

7 **Q. So your auditors and regulators are**
8 **aware of that approach and take no exception to**
9 **it?**

10 A. That's correct.

11 **Q. Earlier when you were being asked**
12 **about your use of data from December as part of**
13 **an analysis and calculating the fair value of**
14 **certain equities as of September 22, 2008,**
15 **counsel repeatedly described that in counsel's**
16 **questioning as, quote, backdating. Would you**
17 **consider that to be backdating in any way?**

18 A. No, I would not consider that to be
19 backdating in any way. I would say as part of
20 our job we're always assessing the fair value of
21 something at a point in time after the fact by
22 definition of what we do. In no way is that
23 backdating.

24 **Q. And again, your auditors were fully**
25 **aware of the processes and procedures by which**

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1 HIGHLY CONFIDENTIAL - Washtell
2 **you calculated fair value for the equities?**

3 A. Absolutely. For this, our normal
4 practices specifically for this balance sheet
5 calculation, our auditors were fully aware of
6 the methodology we used. They were supportive
7 of it. They were in agreement with it.

8 **Q. You understand that your testimony**
9 **today is part of a court proceeding and may be**
10 **considered by the Court; is that correct?**

11 A. That's correct.

12 **Q. Were you asked to value a portion of**
13 **the assets Barclays received from Lehman**
14 **pursuant to the sale transaction between Lehman**
15 **and Barclays in September of 2008?**

16 A. Yes.

17 **Q. Will you please describe the group of**
18 **assets that you were asked to value?**

19 A. I would describe those assets as the
20 equity assets, including convertible bonds.

21 **Q. What was the goal of your valuation**
22 **effort?**

23 A. The goal of our valuation effort was
24 to assess the fair value of that portfolio of
25 securities.

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1 HIGHLY CONFIDENTIAL - Washtell

2 By "fair value," we mean in accordance
3 with the accounting guidelines, specifically, IS
4 39, under which we operate.

5 **Q. Were all directions given to you by**
6 **Barclays consistent with the goal you just**
7 **stated of calculating an accurate fair value?**

8 A. Yes.

9 **Q. Did you at all times during your work**
10 **attempt to fairly and reasonably value the**
11 **assets?**

12 A. Yes.

13 **Q. When you made decisions concerning how**
14 **to calculate bid adjustments in accord with the**
15 **governing accounting standards, for example,**
16 **were you influenced by any desire to achieve a**
17 **lower valuation or any result other than an**
18 **accurate statement of fair value?**

19 A. No.

20 **Q. Were the decisions you made with**
21 **respect to calculating a fair value of the**
22 **equities as of September 22, 2008 governed**
23 **strictly by the goal of accurately stating fair**
24 **value?**

25 A. Yes.

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1 HIGHLY CONFIDENTIAL - Washtell
2 **Q. At any time did anyone ever suggest to**
3 **you that you should do anything other than**
4 **attempt to calculate an accurate fair value of**
5 **the assets?**

6 A. No.

7 **Q. Did anyone ever say to you, in form or**
8 **substance, that a result other than the fair**
9 **value of the assets was desired or should be**
10 **achieved?**

11 A. No.

12 **Q. Did anyone ever indicate to you or, to**
13 **your knowledge, anyone else working on the**
14 **valuation of the Lehman assets, that you should**
15 **attempt to understate the fair value of the**
16 **assets in any way or to value them lower than**
17 **you otherwise would?**

18 A. No.

19 **Q. Would you please describe your**
20 **professional background and experience with**
21 **respect to valuing such assets?**

22 A. My professional qualifications are I'm
23 a chartered accountant. I'm a member of the
24 Association of Chartered Management Accountants
25 and have been since 2003. I have worked at

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1 HIGHLY CONFIDENTIAL - Washtell
2 Barclays for nine years in total, within the
3 Finance function for all of that time, but in
4 various different roles within the Product
5 Control team.

6 For the last four and a half years,
7 I've specifically worked in the Independent
8 Valuation Control Group, and for all of that
9 time I've been responsible for the valuation of
10 equity derivatives and equity products.

11 **Q. Do you believe the valuation you**
12 **ultimately reached for those assets that you**
13 **valued reflect their fair value as of September**
14 **22, 2008?**

15 A. Yes.

16 **Q. Did you attempt to value the Lehman**
17 **assets in a manner consistent with Barclays'**
18 **practices and policies?**

19 A. Yes.

20 **Q. Did you interact with PwC, your**
21 **auditors, during their review of the valuation**
22 **you performed?**

23 A. Yes, quite extensively.

24 **Q. Would you please describe that**
25 **interaction and their efforts with respect to**

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1 **HIGHLY CONFIDENTIAL - Washtell**
2 **the valuation?**

3 A. Yes. That interaction, from memory,
4 lasted a number of weeks, if not a couple of
5 months. I was engaged with one or two members
6 of their team on a regular basis. From
7 recollection, that was at least weekly that I
8 would be having meetings or discussing with
9 them.

10 They looked at all of the data that we
11 used for the valuation. They did extensive
12 sampling analysis. They questioned all the
13 assumptions. They questioned the methodologies.
14 They effectively performed an audit of our, call
15 it a detailed audit of our methodology, as they
16 normally would as part of their sort of year-end
17 audit work, for example.

18 **Q. At the end of all that work, did they**
19 **accept your valuation and procedures?**

20 A. Yes, to my understanding, they did.

21 MR. THOMAS: Thank you, I have nothing
22 further.

23 MS. CARRERO: I just have one
24 follow-up question.

25 FURTHER EXAMINATION BY

TSG Reporting - Worldwide 877-702-9580

1 HIGHLY CONFIDENTIAL - Washtell
2 MS. CARRERO:

3 **Q. In connection with any monthly price**
4 **testing work that your group does as of the end**
5 **of the month, when would the results of that**
6 **price testing be available?**

7 A. Our deadlines for reporting, final
8 reporting on global price testing results are
9 working day 12 after month-end. In a period up
10 to working day 12, all results as they become
11 available would be discussed with the relevant
12 traders, trading desk heads, regional business
13 heads. And we have a detailed timeline of
14 deadlines, what's available when, what reports
15 are produced when in our price testing policies.

16 MR. THOMAS: Thank you very much.

17 THE WITNESS: Okay.

18 (Time Noted: 5:43 P.M.)

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25
MARK WASHTELL

Subscribed and sworn to
before me this day
of 2010.

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<p>1 HIGHLY CONFIDENTIAL - Washtell 2 CERTIFICATE 3 STATE OF NEW YORK) 4 : ss 5 COUNTY OF NEW YORK) 6 I, Kathy S. Klepfer, a Registered 7 Merit Reporter and Notary Public within and 8 for the State of New York, do hereby 9 certify: 10 That MARK WASHTELL, the witness whose 11 deposition is herein before set forth, was 12 duly sworn by me and that such deposition is 13 a true record of the testimony given by such 14 witness. 15 I further certify that I am not 16 related to any of the parties to this action 17 by blood or marriage and that I am in no way 18 interested in the outcome of this matter. 19 I further certify that neither the 20 deponent nor a party requested a review of 21 the transcript pursuant to Federal Rule of 22 Civil Procedure 30(e) before the deposition 23 was completed. 24 In witness whereof, I have hereunto 25 set my hand this 17th day of June, 2010. ----- TSG Reporting - Worldwide 877-702-9580</p>	<p>1 HIGHLY CONFIDENTIAL - Washtell 2 INDEX 3 WITNESS: EXAMINATION BY PAGE 4 M. WASHTELL Ms. Carrero 5, 225 5 Mr. Oxford 194 6 Mr. Thomas 217 7 8 EXHIBITS: PAGE 9 Exhibit 817, a document bearing Bates Nos. 45 10 BCI-EX-(S)-176597 through 176599, with 11 attachment 12 Exhibit 818, a document bearing Bates Nos. 86 13 PwC-BarCap71528 through 71531 14 Exhibit 819, a document bearing Bates Nos. 87 15 BCI-EX-(S)-218502 through 218503 16 Exhibit 820, a document bearing Bates Nos. 89 17 PwC-BarCapWP_00021953 through 22931 18 Exhibit 821, a document bearing Bates Nos. 107 19 BCI-EX-(S)-176696 20 Exhibit 824, a document bearing Bates Nos. 125 21 BCI-EX-00255172, with attachment 22 Exhibit 822, a document bearing Bates Nos. 174 23 BCI-EX-(S)-00176765 through 176767 24 Exhibit 823, a document bearing Bates Nos. 183 25 BCI-EX-(S)-179808 through 179821 TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 HIGHLY CONFIDENTIAL - Washtell 2 INDEX (Cont'd.) 3 EXHIBITS: PAGE 4 Exhibit 825, a document bearing Bates Nos. 204 5 BCI-EX-(S)-00179867 6 Exhibit 826, a document bearing Bates Nos. 209 7 BCI-EX-(S)-182806 through 182807 8 Exhibit 827, a document bearing Bates Nos. 213 9 BCI-EX-(S)-00231432 through 1433 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 TSG Reporting - Worldwide 877-702-9580</p>	<p>1 HIGHLY CONFIDENTIAL - Washtell 2 NAME OF CASE: In re Lehman Bros. Holding 3 DATE OF DEPOSITION: June 17, 2010 4 NAME OF WITNESS: Mark Washtell 5 Reason Codes: 6 1. To clarify the record. 7 2. To conform to the facts. 8 3. To correct transcription errors. 9 Page _____ Line _____ Reason _____ 10 From _____ to _____ 11 12 Page _____ Line _____ Reason _____ 13 From _____ to _____ 14 Page _____ Line _____ Reason _____ 15 From _____ to _____ 16 17 Page _____ Line _____ Reason _____ 18 From _____ to _____ 19 Page _____ Line _____ Reason _____ 20 From _____ to _____ 21 22 Page _____ Line _____ Reason _____ 23 From _____ to _____ 24 Page _____ Line _____ Reason _____ 25 From _____ to _____ TSG Reporting - Worldwide 877-702-9580</p>

EXHIBIT 6

1
2 UNITED STATES BANKRUPTCY COURT
3 SOUTHERN DISTRICT OF NEW YORK

4 -----x

5 In Re:

6 Chapter 11

7 LEHMAN BROTHERS Case No. 08-13555(JMP)
8 HOLDINGS, INC., et al., (Jointly Administered)

9 Debtors.
10 -----x

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14 DEPOSITION OF SEAN TEAGUE

15 New York, New York

16 June 30, 2010
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23 Reported by:

24 KATHY S. KLEPFER, RMR, RPR, CRR, CLR

25 JOB NO. 31617

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<p>1 2 June 30, 2010 3 9:30 A.M. 4 5 Deposition of SEAN TEAGUE, held 6 at the law offices of Jones Day, LLP, 7 222 East 41st Street, New York, New York, 8 before Kathy S. Klepfer, a Registered 9 Professional Reporter, Registered Merit 10 Reporter, Certified Realtime Reporter, 11 Certified Livenote Reporter, and Notary 12 Public of the State of New York. 13 14 15 16 17 18 19 20 21 22 23 24 25</p>	<p>1 2 3 A P P E A R A N C E S : 4 5 JONES DAY, LLP 6 Attorneys for Lehman Brothers, Inc. 7 222 East 41st Street 8 New York, New York 10017-6702 9 BY: JAYANT TAMBE, ESQ. 10 KELLY A. CARRERO, ESQ. 11 MICHAEL DAILEY, ESQ. 12 13 BOIES, SCHILLER & FLEXNER, LLP 14 Attorneys for Barclays 15 5301 Wisconsin Avenue, N.W. 16 Washington, D.C. 20015 17 BY: HAMISH HUME, ESQ. 18 19 20 21 22 23 24 25</p>
Page 4	Page 5
<p>1 2 A P P E A R A N C E S : (Cont'd.) 3 4 QUINN, EMANUEL, URQUHART & SULLIVAN, LLP 5 Attorneys for the Creditors Committee 6 51 Madison Avenue 7 22nd Floor 8 New York, New York 10010 9 BY: ERIC M. KAY, ESQ. 10 11 HUGHES, HUBBARD & REED, LLP 12 Attorneys for the SIPA Trustee 13 One Battery Park Plaza 14 New York, New York 10004-1482 15 BY: NEIL J. OXFORD, ESQ. 16 AMINA HASSAN, ESQ. 17 18 19 ALSO PRESENT: 20 MARC VELLRATH, FSG 21 ELIZABETH KROGER DAVIS, FSG 22 23 24 25</p>	<p>1 Teague 2 SEAN TEAGUE, called as a 3 witness, having been duly sworn by a Notary 4 Public, was examined and testified as 5 follows: 6 EXAMINATION BY 7 MR. TAMBE: 8 Q. Good morning, Mr. Teague. My name is 9 Jay Tambe from Jones Day. With me from Jones 10 Day, Kelly Carrero and Michael Dailey. We're 11 counsel to the Debtor, Lehman Brothers Holdings, 12 Inc. 13 I'm going to have the other lawyers 14 who are at the table introduce themselves and 15 then we'll get started. 16 MR. OXFORD: Good morning, Mr. Teague. 17 My name is Neil Oxford. I'm with Hughes, 18 Hubbard & Reed. We represent the SIPA 19 Trustee in this case. With me is my 20 colleague Amina Hassan. 21 MR. KAY: Good morning. Eric Kay from 22 Quinn Emanuel for the Official Creditors 23 Committee. 24 MR. HUME: And I'm Hamish Hume from 25 Boies Schiller representing Barclays. Here</p>

Page 6	Page 7
<p>1 Teague</p> <p>2 also is Elizabeth Davis and Marc Vellrath</p> <p>3 from FSG.</p> <p>4 BY MR. TAMBE:</p> <p>5 Q. Mr. Teague, you're currently employed</p> <p>6 by Barclays, is that right?</p> <p>7 A. That's correct.</p> <p>8 Q. Which Barclays entity employs you?</p> <p>9 A. Barclays Capital.</p> <p>10 Q. How long have you been with Barclays</p> <p>11 Capital?</p> <p>12 A. Approximately five years.</p> <p>13 Q. Back to 2005?</p> <p>14 A. Yes.</p> <p>15 Q. And what's your current position with</p> <p>16 Barclays Capital?</p> <p>17 A. I perform independent valuations.</p> <p>18 Q. You perform valuations?</p> <p>19 A. Correct. So I perform independent</p> <p>20 valuations. Part of the IVC team.</p> <p>21 Q. And do you have a title?</p> <p>22 A. Not specifically. I manage the Fixed</p> <p>23 Income and Credit Price testing for the</p> <p>24 Americas.</p> <p>25 Q. If you could just keep your voice up</p>	<p>1 Teague</p> <p>2 because I'm having some trouble hearing you and</p> <p>3 I know the court reporter might have some</p> <p>4 trouble hearing you as well. And there's folks</p> <p>5 all the way at the end of the table, so it would</p> <p>6 help all of us.</p> <p>7 I've seen this documents which</p> <p>8 identify you as a director of Fixed Income and</p> <p>9 Credit Price Testing. Is that also -- is that</p> <p>10 an accurate description of your title?</p> <p>11 A. Yes.</p> <p>12 Q. And you were, in 2008 and 2009, you</p> <p>13 had the same position?</p> <p>14 A. That's correct.</p> <p>15 Q. Before you got to Barclays in 2005, if</p> <p>16 you could briefly describe your employment</p> <p>17 background. Where else did you work?</p> <p>18 A. Previous to Barclays, I worked for</p> <p>19 three years at Commerce Bank. I had multiple</p> <p>20 roles at the firm. I worked in the middle</p> <p>21 office function for approximately a year, I</p> <p>22 worked in the trading function for approximately</p> <p>23 a year, and also in what's called Alternative</p> <p>24 Investment Strategies, performing due diligence</p> <p>25 on hedge funds for approximately a year.</p>
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<p>1 Teague</p> <p>2 Q. When you were performing the trading</p> <p>3 function for approximately a year, what types of</p> <p>4 products did you trade? What markets did you</p> <p>5 trade in?</p> <p>6 A. Credit correlation.</p> <p>7 Q. Credit correlation.</p> <p>8 Any other type of trading while at</p> <p>9 Commerce Bank?</p> <p>10 A. No, just hedging for the credit</p> <p>11 correlation portfolio.</p> <p>12 Q. Prior to Commerce Bank, where did you</p> <p>13 work?</p> <p>14 A. I worked at Deutsche Bank/Bankers</p> <p>15 Trust for approximately seven years, performing</p> <p>16 various roles, including the majority, probably</p> <p>17 five of those seven years were in Product</p> <p>18 Control for Fixed Income Credit products, and</p> <p>19 two of those years were performing documentation</p> <p>20 for trades. So trade -- trade docs.</p> <p>21 Q. And the documentation for trades, what</p> <p>22 types of products were you providing</p> <p>23 documentation for?</p> <p>24 A. Majority would be rates and credit.</p> <p>25 Q. Rates and credit. And prior to</p>	<p>1 Teague</p> <p>2 Deutsche Bank?</p> <p>3 A. Short period of time consulting at</p> <p>4 HSBC as a rates analyst as well as ISDA</p> <p>5 documentation, and a short stint as a consultant</p> <p>6 at Barclays Capital, also in documentation. But</p> <p>7 that was not working for the firm. I was a</p> <p>8 Consultant.</p> <p>9 Q. And when you were consulting, who were</p> <p>10 you employed by?</p> <p>11 A. I can't recollect. I do not</p> <p>12 recollect. It was ten years ago.</p> <p>13 Q. If you could maybe go back to your</p> <p>14 educational background. College, when did you</p> <p>15 graduate?</p> <p>16 A. I graduated in '94.</p> <p>17 Q. From where?</p> <p>18 A. Binghamton University.</p> <p>19 Q. What degree?</p> <p>20 A. A B.A.</p> <p>21 Q. In?</p> <p>22 A. Political science and a minor in</p> <p>23 economics.</p> <p>24 Q. I haven't done all the math in terms</p> <p>25 of your prior experience, but when you finished</p>

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<p>1 Teague</p> <p>2 your BA is when you began your consulting work,</p> <p>3 or did you have further education?</p> <p>4 A. Shortly after finishing is when I</p> <p>5 began the consulting work.</p> <p>6 Q. And fair to say that you don't have</p> <p>7 any postgraduate degrees?</p> <p>8 A. It's fair to say that.</p> <p>9 Q. So the B.A. was your last degree?</p> <p>10 A. Correct.</p> <p>11 Q. At any time have you held any</p> <p>12 registrations or licenses in the securities</p> <p>13 industry?</p> <p>14 A. Yes, Series 7 and 63.</p> <p>15 Q. 63?</p> <p>16 A. Yes.</p> <p>17 Q. Anything else?</p> <p>18 A. I have the -- pause for a moment. The</p> <p>19 FRM, which is Financial Risk Manager Certificate</p> <p>20 as well.</p> <p>21 Q. Are you current in your Series 7 and</p> <p>22 63?</p> <p>23 A. Yes.</p> <p>24 Q. Going back to the beginning of your</p> <p>25 work at Barclays, starting in 2005, what</p>	<p>1 Teague</p> <p>2 department or group in Barclays did you join in</p> <p>3 2005?</p> <p>4 A. I joined the same team, the IVC, and</p> <p>5 at the time I was managing secondary ABS</p> <p>6 valuations.</p> <p>7 Q. And starting in the summer of 2008, so</p> <p>8 prior to the Lehman bankruptcy, July/August of</p> <p>9 2008, what was your role at Barclays?</p> <p>10 A. Same as today.</p> <p>11 Q. So you were part of the IVC team. You</p> <p>12 were responsible for fixed income and credit; is</p> <p>13 that right?</p> <p>14 A. Prior to the acquisition, I had the</p> <p>15 same role as I have today, fixed income and</p> <p>16 credit.</p> <p>17 Q. If you could just describe for me</p> <p>18 briefly, as of the summer of 2008, what the</p> <p>19 organizational structure was for the IVC group.</p> <p>20 To whom did you report? Who report arid to you?</p> <p>21 If you could just describe the team.</p> <p>22 A. I reported to Marcus Morton. My team</p> <p>23 at the time, I can't recollect all the team</p> <p>24 members, approximately four people on the rates</p> <p>25 side. I'll just do it in my head. Five people</p>
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<p>1 Teague</p> <p>2 on the rates side reporting in to me, and on the</p> <p>3 credit side approximately, approximately five</p> <p>4 people on the credit side -- six people, I</p> <p>5 believe, actually, on the credit side.</p> <p>6 Q. I have placed before you a document</p> <p>7 that was previously identified as Exhibit 799.</p> <p>8 If you would just take a moment to review that</p> <p>9 document. Let me know when you're done. I'll</p> <p>10 ask you some questions about it.</p> <p>11 A. Certainly.</p> <p>12 (Document review.)</p> <p>13 A. Okay.</p> <p>14 Q. Have you seen this document before</p> <p>15 today?</p> <p>16 A. Yes, I have.</p> <p>17 Q. Were you involved in preparing this</p> <p>18 document?</p> <p>19 A. Yes, I was.</p> <p>20 Q. What role did you play in the</p> <p>21 preparation of this document?</p> <p>22 A. I helped provide supporting</p> <p>23 information for my team.</p> <p>24 Q. And what is your understanding as to</p> <p>25 why this document had been prepared?</p>	<p>1 Teague</p> <p>2 A. I don't recollect.</p> <p>3 Q. Well, is it your understanding you</p> <p>4 were asked to prepare this document or to</p> <p>5 provide information to prepare this document for</p> <p>6 purposes of this litigation?</p> <p>7 A. I believe -- I had drafted this at one</p> <p>8 point in time for the head of Fixed Income for</p> <p>9 my portion. So I don't recollect if that data</p> <p>10 was then provided specifically for the purposes</p> <p>11 of this litigation.</p> <p>12 Q. And you said the head of Fixed Income.</p> <p>13 Who are you referring to?</p> <p>14 A. Eric Bommensath.</p> <p>15 Q. And is this a document that, as far as</p> <p>16 you know, is used in the day-to-day business of</p> <p>17 Barclays?</p> <p>18 A. No, it is not.</p> <p>19 Q. It is not used?</p> <p>20 A. Not in the day-to-day business of the</p> <p>21 firm.</p> <p>22 Q. Okay. Now, going back to your</p> <p>23 description of the people who reported to you,</p> <p>24 if you could look through this and help me</p> <p>25 identify the people you were referring to. You</p>

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<p>1 Teague</p> <p>2 say four people in rates, five people maybe on</p> <p>3 credit.</p> <p>4 Are those people listed in this</p> <p>5 document, Exhibit 799?</p> <p>6 A. If we go to the document with "FI</p> <p>7 Rates" on the top.</p> <p>8 Q. Third page in. Okay.</p> <p>9 A. Grant Rusk at the time was overseeing</p> <p>10 the fixed income rates valuations. Alessandra</p> <p>11 Riccardi oversaw the fixed income options</p> <p>12 portion, the fixed income rates world. Elly Po,</p> <p>13 as stated here, was involved in the RMBS</p> <p>14 Treasuries and agencies as well as the munis.</p> <p>15 Kevin McAndrew was involved in the rates as well</p> <p>16 as some of the agency valuation.</p> <p>17 Pavan was not involved in the Lehman</p> <p>18 opening balance sheet. He was an ex-Lehman</p> <p>19 employee who joined with Barclays after the</p> <p>20 acquisition. Neither was Rob or Qiron.</p> <p>21 Q. And other than Grant, Alessandra, Elly</p> <p>22 and Kevin, were there any other folks back at</p> <p>23 the time and during the time of the acquisition</p> <p>24 who were in this Fixed Income/Rates division?</p> <p>25 A. There was Mark Hollander, who was no</p>	<p>1 Teague</p> <p>2 longer with the firm shortly thereafter. He was</p> <p>3 not involved. And another individual Sam, I</p> <p>4 can't recollect his last name offhand, who was</p> <p>5 not involved in the Lehman acquisition, who is</p> <p>6 no longer with the firm shortly after the</p> <p>7 acquisition.</p> <p>8 Q. Okay. And then moving on to Fixed</p> <p>9 Income Credit at the bottom of that third page</p> <p>10 over onto the fourth page, how many of those --</p> <p>11 which of those folks were involved in the Lehman</p> <p>12 acquisition back in the fall of 2008 onwards?</p> <p>13 A. Kevin Jhea is how you state his name,</p> <p>14 was managing FI Credit at the time of the Lehman</p> <p>15 acquisition. David Wei, managed the correlation</p> <p>16 aspects of the FI Credit world. Heidi Su's main</p> <p>17 role was Emerging Market Independent Valuations</p> <p>18 at the time. Amine came on through the Lehman</p> <p>19 acquisition. He was not part of the overall</p> <p>20 analysis of the IVC of the opening balance</p> <p>21 sheet.</p> <p>22 Ilya Riskin was a member of the team,</p> <p>23 still is, but was not involved in the Lehman</p> <p>24 acquisition. Mohemmed Khan was involved in</p> <p>25 valuations of the corporates for the Lehman</p>
Page 16	Page 17
<p>1 Teague</p> <p>2 acquisition.</p> <p>3 Ethan Zheng, analyst, he was not</p> <p>4 involved in the Lehman opening balance sheet</p> <p>5 valuation, and Kartik Kothari was in the credit</p> <p>6 area, mainly focusing on CDS and corporate</p> <p>7 bonds. He was not involved in the Lehman</p> <p>8 opening balance sheet valuation.</p> <p>9 Q. There's one name over on the last page</p> <p>10 of this exhibit, Dara Mao?</p> <p>11 A. Oh, apologies. Dara came on through</p> <p>12 Lehman. She was not involved in the</p> <p>13 acquisition.</p> <p>14 Q. In preparing this document or</p> <p>15 providing information for the preparation of</p> <p>16 this document, Exhibit 799, do you recall</p> <p>17 whether it was sometime this year that you</p> <p>18 provided that information or was it prior to</p> <p>19 this year?</p> <p>20 A. I believe it would be prior to this</p> <p>21 year. Again, this is based on information that</p> <p>22 I provided much earlier to senior management and</p> <p>23 on a very unrelated note. It was just something</p> <p>24 I provided to the head of the business on the</p> <p>25 trading side who wanted to understand better the</p>	<p>1 Teague</p> <p>2 people within my team, and that was what I used</p> <p>3 to update this document. But this document to</p> <p>4 me must have been done last year. I don't</p> <p>5 recall when this was done.</p> <p>6 Q. Going back to the week of September</p> <p>7 15, 2008, if you could briefly describe the role</p> <p>8 or the duties that you played, and I want to</p> <p>9 just focus on the time period the 15th of</p> <p>10 September through the 22nd of September, so that</p> <p>11 first week, roughly, what was -- what role, if</p> <p>12 any, did you play in connection with the Lehman</p> <p>13 transaction or the contemplated, the one that</p> <p>14 was finally executed, what were you doing in</p> <p>15 connection with Lehman that week?</p> <p>16 MR. HUME: Object to the form of the</p> <p>17 question.</p> <p>18 Q. Do you understand my question?</p> <p>19 A. I guess what was my specific role in</p> <p>20 regards to the Lehman transaction?</p> <p>21 Q. Yes, during that week.</p> <p>22 A. I guess the 15th was the -- was that</p> <p>23 the weekend before?</p> <p>24 Q. 15th was the day that Lehman filed for</p> <p>25 bankruptcy. It was a Monday.</p>

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<p>1 Teague</p> <p>2 A. That was a Monday. So my role that</p> <p>3 week, after they had -- after Monday, the first</p> <p>4 objective was to perform independent valuations</p> <p>5 for any derivative transactions we had with the</p> <p>6 firm. Barclays was at risk in any derivative</p> <p>7 transactions that we had. We had to make sure</p> <p>8 that they were valued correctly.</p> <p>9 So we were focusing in interest rate</p> <p>10 swaps and credit derivatives within my team</p> <p>11 where Lehman would have been the counterparty.</p> <p>12 I was consolidating that data, and then, by the</p> <p>13 end of the week, my function turned more into</p> <p>14 focus on working with Operations to determine</p> <p>15 the assets which were going to be brought</p> <p>16 onboard I believe we had the Friday and then the</p> <p>17 Monday.</p> <p>18 Q. In the first part of your answer you</p> <p>19 talked about providing some support in</p> <p>20 connection with derivatives positions where</p> <p>21 Lehman was the counterparty. Those were not</p> <p>22 transactions or assets that were being acquired</p> <p>23 as part of the transaction; those were deals on</p> <p>24 with Lehman, existing deals?</p> <p>25 A. That is correct.</p>	<p>1 Teague</p> <p>2 Q. The second part of your answer in</p> <p>3 terms of your role, where you got involved with</p> <p>4 Operations to provide some support around the</p> <p>5 assets that were coming over from Lehman as part</p> <p>6 of the purchase transaction, describe for me who</p> <p>7 it was that got you involved in that. Who asked</p> <p>8 you to become involved? Who from Operations?</p> <p>9 A. Marcus Morton and James Walker within</p> <p>10 Product Control asked me to get a better</p> <p>11 understanding of what was happening from an</p> <p>12 operations perspective.</p> <p>13 Q. Now, Mr. Walker, where does he fit</p> <p>14 into the Product Control or Independent</p> <p>15 Valuation Division or structure of the bank?</p> <p>16 A. I believe at the time he was CFO. I</p> <p>17 can't remember his exact title.</p> <p>18 Q. So he would be someone that Mr. Morton</p> <p>19 would report up to?</p> <p>20 A. Yes.</p> <p>21 Q. Were the others from Product Control</p> <p>22 and from Independent Valuation who would be</p> <p>23 working with you, were you leading that effort</p> <p>24 on the part -- on the side of Product Control</p> <p>25 and Independent Valuation?</p>
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<p>1 Teague</p> <p>2 A. I was involved in mainly in what I</p> <p>3 would consider reconciliation view, trying to</p> <p>4 understand what data we would be receiving. The</p> <p>5 Operations team would be coordinating with the</p> <p>6 Lehman team from the Lehman's Operations team to</p> <p>7 determine what is -- what was expected to be</p> <p>8 delivered, and I was working with them as well</p> <p>9 as certain members of Product Control, for</p> <p>10 instance, Steve Calick, who would have been</p> <p>11 working from an equities perspective to see what</p> <p>12 assets would be moving over to Barclays.</p> <p>13 So the majority of the analysis, of</p> <p>14 course, was within the Operations function. Our</p> <p>15 role was just to try to get, gain a deeper</p> <p>16 understanding of what was happening.</p> <p>17 Q. And this role about getting a deeper</p> <p>18 understanding of what was happening, was there a</p> <p>19 point in time where sort of that role ended and</p> <p>20 you reverted to a Product Control price,</p> <p>21 independent price verification role?</p> <p>22 A. In certain aspects it was just</p> <p>23 intertwined. If you didn't know what you were</p> <p>24 supposed to value, you couldn't really perform a</p> <p>25 valuation. So that's why I was involved, was to</p>	<p>1 Teague</p> <p>2 ensure I understood, you know, what paper, what</p> <p>3 securities were being delivered so we could</p> <p>4 value them.</p> <p>5 Q. And was it your understanding that</p> <p>6 your role would be initially to sort of identify</p> <p>7 what's coming over, and ultimately you would be</p> <p>8 part of the team that would be valuing what had</p> <p>9 come over?</p> <p>10 A. Yes.</p> <p>11 Q. You said Mr. Calick played a role with</p> <p>12 respect to equities. Other than you and Mr.</p> <p>13 Calick, were there other people from Price</p> <p>14 Control or IVC who had other asset classes that</p> <p>15 they were responsible for cracking and</p> <p>16 reconciling?</p> <p>17 A. Well, to clarify, Steve Calick was in</p> <p>18 Product Control outside of IVC. His function</p> <p>19 was just more so to, again, gain an</p> <p>20 understanding of what was coming on in</p> <p>21 discussions with Operations.</p> <p>22 Within IVC, you know, I can't</p> <p>23 recollect if Rich Landreman was heavily</p> <p>24 involved, but he was aware that, you know, we</p> <p>25 were getting assets delivered.</p>

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<p>1 Teague</p> <p>2 Q. And how would you sort of describe</p> <p>3 where Mr. Landreman fits into the hierarchy</p> <p>4 within Product Control and IVC?</p> <p>5 A. Mr. Landreman works in Independent</p> <p>6 Valuation Control. He also reports in to Marcus</p> <p>7 Morton and his function, as per here, is to</p> <p>8 review the -- to perform independent valuations</p> <p>9 for securitized products.</p> <p>10 Q. I just want to be clear on sort of the</p> <p>11 distinction between Product Control and IVC.</p> <p>12 A. Certainly.</p> <p>13 Q. Can you just describe what the</p> <p>14 distinction is and how those two divisions or</p> <p>15 teams work together or separately?</p> <p>16 A. Independent Valuation and Control is</p> <p>17 essentially a subset of the Product Control</p> <p>18 world. Product Control, which I'm referring to</p> <p>19 a separate team, would be considered the daily</p> <p>20 P&L function for the firm. They would perform</p> <p>21 the P&L analysis of the books and records of the</p> <p>22 firm, of the marked to market assets for the</p> <p>23 books that I would be overseeing. They would,</p> <p>24 you know, determine what the -- what mark to</p> <p>25 market happened on a daily basis and how that</p>	<p>1 Teague</p> <p>2 P&L explain works for the firm's earnings and</p> <p>3 losses.</p> <p>4 Q. All right. So you described what the</p> <p>5 P&L -- what the Product Control Group function</p> <p>6 is. And what is it that you do differently or</p> <p>7 what is it that IVC does differently from</p> <p>8 Product Control Group?</p> <p>9 A. IVC's function is more so to</p> <p>10 independently value those assets that are on the</p> <p>11 books and records to ensure that positions are</p> <p>12 properly marked to market.</p> <p>13 Q. Well, are you doing something more or</p> <p>14 differently than what the Product Control Group</p> <p>15 does?</p> <p>16 A. To clarify, we would be analyzing the</p> <p>17 pricing of assets, cash and derivatives, while</p> <p>18 they would be -- function more of an accounting</p> <p>19 role of reporting the daily P&L related to those</p> <p>20 assets.</p> <p>21 Q. When we get to the acquisition balance</p> <p>22 sheet that was prepared by Barclays for the</p> <p>23 Lehman transaction, the valuations that appear</p> <p>24 there for the trading portfolio that was</p> <p>25 acquired, what role did PCG, Product Control</p>
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<p>1 Teague</p> <p>2 Group, play in determining those values?</p> <p>3 A. They would not have played a role in</p> <p>4 that valuation aspect.</p> <p>5 Q. Who would have determined those values</p> <p>6 or who did determine those values on the</p> <p>7 acquisition balance sheet?</p> <p>8 A. That was chairmaned by the Independent</p> <p>9 Valuation Group. Some of the marks were</p> <p>10 chairmaned by the trading desk. It's all</p> <p>11 product-specific.</p> <p>12 Q. And you're familiar with the</p> <p>13 acquisition balance sheet, correct?</p> <p>14 A. Yes, I am.</p> <p>15 Q. And you helped prepare it?</p> <p>16 A. Yes, I have.</p> <p>17 Q. And you could, by looking at the</p> <p>18 acquisition balance sheet and the underlying</p> <p>19 data, identify where prices were provided by</p> <p>20 trading desks, where prices were the result of</p> <p>21 independent price testing, et cetera? Could you</p> <p>22 do that?</p> <p>23 MR. HUME: Object to the form.</p> <p>24 Q. Do you understand the question? Do</p> <p>25 you want it read back?</p>	<p>1 Teague</p> <p>2 A. I can answer for the products that I</p> <p>3 covered.</p> <p>4 Q. Okay. What products did you cover?</p> <p>5 A. The rates and credit products within</p> <p>6 the Lehman opening balance sheet, which would be</p> <p>7 corporates, emerging markets, munis, and</p> <p>8 agencies as well as some of the securitized</p> <p>9 products.</p> <p>10 Q. So you covered Pine, correct?</p> <p>11 A. That's correct.</p> <p>12 Q. You covered Giants Stadium?</p> <p>13 A. That's correct.</p> <p>14 Q. When you say agencies, what types of</p> <p>15 securities would you include -- are included</p> <p>16 within the agencies that you covered?</p> <p>17 A. It would be the agency corps.</p> <p>18 Q. Just roughly, by dollar value or</p> <p>19 percentage, what percentage of the trading</p> <p>20 portfolio acquired by Barclays is covered by you</p> <p>21 and your analysis?</p> <p>22 A. Approximately a quarter.</p> <p>23 Q. One-quarter by CUSIP or by value?</p> <p>24 A. I believe by market value.</p> <p>25 Q. When you say market value, you mean</p>

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<p>1 Teague</p> <p>2 the value ascribed by Barclays to those assets?</p> <p>3 A. That is correct.</p> <p>4 Q. So you got a quarter by market value.</p> <p>5 Who is covered -- who else has covered the rest</p> <p>6 of it?</p> <p>7 A. It would be Rich Landreman.</p> <p>8 Q. And what would he have covered?</p> <p>9 A. The ABS valuations, all agencies</p> <p>10 outside of the agency corporates, and for the</p> <p>11 equity side, that would be Mark Washtell.</p> <p>12 Q. Any other asset classes that were</p> <p>13 covered by others other than the three of you,</p> <p>14 you, Rich and Mark?</p> <p>15 A. And for any valuations where the</p> <p>16 trading data was utilized and reviewed by PwC, I</p> <p>17 don't recollect who the proper contact would be.</p> <p>18 Q. For those valuations where trading</p> <p>19 data was utilized and you say reviewed by PwC,</p> <p>20 what types of assets were those?</p> <p>21 A. I believe those were the CDOs.</p> <p>22 Q. Do you have any particular CDO name by</p> <p>23 way of example that comes to mind, any</p> <p>24 particular names?</p> <p>25 A. No, I do not.</p>	<p>1 Teague</p> <p>2 Q. By dollar volume or CUSIPs, any sense</p> <p>3 of the magnitude of the number of the valuations</p> <p>4 that fall into this bucket where trading data</p> <p>5 was used?</p> <p>6 A. No, I do not.</p> <p>7 Q. The assets that were -- that are</p> <p>8 identified in some documents as PMTG assets, who</p> <p>9 covered those?</p> <p>10 A. I believe that the majority of it</p> <p>11 would have been Rich Landreman.</p> <p>12 MR. HUME: Can I just ask, Jay, this</p> <p>13 document you showed earlier, 799B?</p> <p>14 MR. TAMBE: Yes.</p> <p>15 MR. HUME: That's a deposition exhibit</p> <p>16 number?</p> <p>17 MR. TAMBE: That's a deposition</p> <p>18 exhibit number.</p> <p>19 MR. HUME: So it came in in a prior</p> <p>20 deposition?</p> <p>21 MR. TAMBE: Yes.</p> <p>22 Q. Sir, I've had placed before you a</p> <p>23 document marked Exhibit 133. We'll refer to it</p> <p>24 at least here as Exhibit 133. It also carries a</p> <p>25 movants trial exhibit number. It's a two-page</p>
Page 28	Page 29
<p>1 Teague</p> <p>2 document. My question to you is simply is do</p> <p>3 you recognize this document?</p> <p>4 A. No, I do not.</p> <p>5 Q. Turning to the first page of the</p> <p>6 document, Exhibit 133, you'll see there's a</p> <p>7 couple e-mails there. The one at the bottom is</p> <p>8 from Jasen Yang to Patrick Clackson, do you see</p> <p>9 that?</p> <p>10 A. Yes.</p> <p>11 Q. Do you know Mr. Yang?</p> <p>12 A. He works on the trading side.</p> <p>13 Q. Is Mr. Yang someone that you had</p> <p>14 interactions with in connection with the Lehman</p> <p>15 acquisition?</p> <p>16 A. Yes.</p> <p>17 MR. HUME: Objection to the form.</p> <p>18 Q. And what was the nature of your</p> <p>19 interaction with Mr. Yang on the Lehman</p> <p>20 acquisition?</p> <p>21 MR. HUME: Object to the form.</p> <p>22 A. Mr. Yang reviewed the portfolio from</p> <p>23 the perspective of the trading desk of what was</p> <p>24 going to be acquired, and his team was involved</p> <p>25 in the CDO valuation.</p>	<p>1 Teague</p> <p>2 Q. And when you say the "CDO valuation,"</p> <p>3 is that again those trader valuations that you</p> <p>4 referenced earlier that were provided to PwC and</p> <p>5 reviewed by PwC?</p> <p>6 A. Yes.</p> <p>7 Q. You also see in Mr. Yang's e-mail,</p> <p>8 that's an e-mail to Patrick Clackson. Who is</p> <p>9 Mr. Clackson?</p> <p>10 A. Patrick I believe is the CFO.</p> <p>11 Q. Is Mr. Clackson someone that you</p> <p>12 interacted with in connection with the Lehman</p> <p>13 acquisition?</p> <p>14 MR. HUME: Objection. Vague and</p> <p>15 ambiguous.</p> <p>16 A. Any involvement with Patrick was, the</p> <p>17 majority of it was really with Marcus Morton.</p> <p>18 Q. So you would not have been directly</p> <p>19 dealing with Mr. Clackson; is that right?</p> <p>20 A. No.</p> <p>21 Q. How about Stephen King, was that</p> <p>22 someone that you dealt with directly in</p> <p>23 connection with the Lehman acquisition?</p> <p>24 A. No. I've been on phone calls with</p> <p>25 Stephen King, but I did not deal with him</p>

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<p>1 Teague</p> <p>2 directly.</p> <p>3 Q. And were you on phone calls with</p> <p>4 Stephen King with respect to the Lehman</p> <p>5 acquisition?</p> <p>6 A. I have been on phone calls with him</p> <p>7 regarding the Lehman acquisition, but I have not</p> <p>8 had any, you know, direct phone calls with</p> <p>9 Stephen King where Stephen and I, you know,</p> <p>10 would discuss the Lehman acquisition. It was</p> <p>11 more conference calls where we were both on the</p> <p>12 same phone.</p> <p>13 Q. Describe for me briefly the kind of</p> <p>14 calls you have been on with Stephen King in</p> <p>15 connection with the Lehman acquisition.</p> <p>16 A. Just discussions on what -- what</p> <p>17 valuations we were assigning and getting --</p> <p>18 trying to get an understanding as well as how</p> <p>19 the CDO valuations performed by the desk. We</p> <p>20 ran our own independent valuations which were</p> <p>21 also provided to Product -- to PwC.</p> <p>22 So mostly an understanding of if there</p> <p>23 are aspects of structured deals where we needed</p> <p>24 more information such that if they had any</p> <p>25 Trustee reports, things of that nature.</p>	<p>1 Teague</p> <p>2 Q. Did you have any conversations with</p> <p>3 Mr. King in or around the time of the</p> <p>4 acquisition about the valuation of specific</p> <p>5 assets that were being acquired from Lehman?</p> <p>6 A. No.</p> <p>7 MR. HUME: Objection. Vague.</p> <p>8 A. No, I did not.</p> <p>9 Q. Do you recall any interactions with</p> <p>10 Mr. King in the time period immediately after</p> <p>11 the acquisition, so late September, early</p> <p>12 October 2008?</p> <p>13 A. Yes. The majority of the</p> <p>14 conversations were in regard to the acquisition</p> <p>15 itself and what had settled and any issues that</p> <p>16 were outstanding mostly from an operational</p> <p>17 perspective.</p> <p>18 Q. In one your previous answers you said</p> <p>19 that there was some discussion about valuations.</p> <p>20 That was a topic discussed in these conference</p> <p>21 calls where you were involved and Mr. King was</p> <p>22 involved.</p> <p>23 Who else was involved in those</p> <p>24 conversations?</p> <p>25 A. I don't recollect. Marcus Morton,</p>
Page 32	Page 33
<p>1 Teague</p> <p>2 James Walker, and just Jasen Yang, potentially.</p> <p>3 But again, those conversations were on the</p> <p>4 assets that were coming onboard.</p> <p>5 Q. The assets coming onboard from Lehman?</p> <p>6 A. Correct.</p> <p>7 Q. And certain numbers of those assets</p> <p>8 were being assigned to trading desks, correct?</p> <p>9 A. Yes, at the time.</p> <p>10 Q. And those trading desks would have</p> <p>11 been run by people like Stephen King and others?</p> <p>12 A. Yes.</p> <p>13 Q. He was the trader, correct?</p> <p>14 A. Correct.</p> <p>15 Q. Do you recall any conversations where</p> <p>16 Mr. King expressed a different point of view on</p> <p>17 valuations than the one that you and your team</p> <p>18 were expressing?</p> <p>19 MR. HUME: Objection. Lacks</p> <p>20 foundation. He said they didn't discuss</p> <p>21 valuations.</p> <p>22 A. The context of what was discussed was</p> <p>23 mostly, again, in the context not of the</p> <p>24 valuations, it was really in the context of the</p> <p>25 positions themselves and how they were going to</p>	<p>1 Teague</p> <p>2 get booked onto the balance sheet, not the</p> <p>3 valuations of the assets coming onboard.</p> <p>4 Q. Were there any discussions, as you</p> <p>5 recall, with Mr. King where Mr. King expressed</p> <p>6 disagreement with the valuations that were</p> <p>7 prepared by you and your team?</p> <p>8 A. Any discussions of that nature were</p> <p>9 more to deal with getting a deeper understanding</p> <p>10 of the assets themselves, again such as the CDOs</p> <p>11 to obtain better market data.</p> <p>12 Q. Okay. I guess I want to get a better</p> <p>13 understanding of what you mean by that. There</p> <p>14 were discussions where Mr. King expressed a</p> <p>15 disagreement over the value being ascribed by</p> <p>16 you and your team to an asset or classes of</p> <p>17 assets?</p> <p>18 A. More specifically, to an asset. If an</p> <p>19 asset valuation was performed where we didn't</p> <p>20 have full market data, there was times where the</p> <p>21 trading desk would provide us additional</p> <p>22 information, such as if there were aspects of a,</p> <p>23 you know, of a security that they had a better</p> <p>24 understanding of.</p> <p>25 So that was, again, going back to the</p>

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<p>1 Teague</p> <p>2 CDOs, more so the CDOs were valued by the desk.</p> <p>3 We performed a secondary analysis, which PwC</p> <p>4 also incorporated into their overall view. In</p> <p>5 performing that analysis, Stephen King and Jasen</p> <p>6 would provide us information if we didn't know</p> <p>7 fully every aspect of the waterfall of the CDO.</p> <p>8 Q. I want to make sure I'm not</p> <p>9 misunderstanding your answer.</p> <p>10 A. Okay.</p> <p>11 Q. I understand and appreciate your</p> <p>12 telling me that when you needed information to</p> <p>13 understand how to value a particular product,</p> <p>14 you might have asked Mr. Yang and Mr. King to</p> <p>15 provide information.</p> <p>16 My question is a very specific one:</p> <p>17 Do you recall any conversations on these</p> <p>18 conference calls where Mr. King participated and</p> <p>19 you were on these conference calls where Mr.</p> <p>20 King expressed disagreement with a value that</p> <p>21 you and your team were placing on any asset --</p> <p>22 MR. HUME: Objection.</p> <p>23 Q. -- in connection with the Lehman</p> <p>24 acquisition?</p> <p>25 MR. HUME: Objection. Asked and</p>	<p>1 Teague</p> <p>2 answered and vague and ambiguous.</p> <p>3 A. The desk had their view of what the</p> <p>4 portfolio was worth. Independent Valuations had</p> <p>5 their view of what the portfolio was worth.</p> <p>6 Q. So you had different views as to the</p> <p>7 valuation; is that correct?</p> <p>8 A. From a high level perspective,</p> <p>9 everyone will have a different methodology.</p> <p>10 Q. Again, I'm not talking about everyone.</p> <p>11 I'm talking about Mr. King specifically and Mr.</p> <p>12 Yang. He was working with Mr. King on this.</p> <p>13 If I understand your last answer, Mr.</p> <p>14 King expressed a different view on valuation</p> <p>15 than that being expressed by you and your team</p> <p>16 with respect to at least some of the assets that</p> <p>17 you were valuing in the Lehman acquisition; is</p> <p>18 that correct?</p> <p>19 A. Yes, that can happen.</p> <p>20 Q. These weren't pleasant conversations</p> <p>21 with Mr. King, were they, sir? These were</p> <p>22 heated conversations you had with Mr. King?</p> <p>23 MR. HUME: Objection. Vague and</p> <p>24 ambiguous.</p> <p>25 A. I wouldn't say that. I wouldn't agree</p>
Page 36	Page 37
<p>1 Teague</p> <p>2 with that.</p> <p>3 Q. The value that you put on these assets</p> <p>4 or that the bank puts on these assets, they</p> <p>5 ultimately would affect the P&L from Mr. King</p> <p>6 and his desk, correct?</p> <p>7 A. I wouldn't know the specifics of how</p> <p>8 that aspect of the firm works, sir.</p> <p>9 Q. But the decisions that you make on</p> <p>10 valuation can have an impact on the trader's</p> <p>11 P&L, correct?</p> <p>12 A. I wouldn't have known the specifics of</p> <p>13 how the trader's P&L was going to drive their</p> <p>14 earnings.</p> <p>15 Q. I'm not asking for the specifics. I'm</p> <p>16 asking for the general -- there is a connection</p> <p>17 between what you do and what happens to the</p> <p>18 amount of money the trader takes home, correct?</p> <p>19 A. Correct. But conceptually, this was</p> <p>20 an acquisition more so than a trading book that</p> <p>21 was managed by a trader that they had acquired</p> <p>22 through the regular course of actions. I</p> <p>23 wouldn't know how the trader's income was going</p> <p>24 to be derived through this acquisition.</p> <p>25 Q. Well, was that a topic of discussion,</p>	<p>1 Teague</p> <p>2 as to how the trader's income would be derived</p> <p>3 with respect to the assets acquired through the</p> <p>4 acquisition?</p> <p>5 A. I would not have been involved in</p> <p>6 anything at that level.</p> <p>7 Q. Were you aware that that was a topic</p> <p>8 of discussion?</p> <p>9 A. No, I was not.</p> <p>10 Q. Given the nature of how these assets</p> <p>11 were acquired through an acquisition as opposed</p> <p>12 to through the course of trading, did that</p> <p>13 affect the way that you went about doing your</p> <p>14 price-testing analysis and price-verification</p> <p>15 analysis?</p> <p>16 MR. HUME: Objection. Vague and</p> <p>17 ambiguous.</p> <p>18 A. No, it did not.</p> <p>19 Q. You applied exactly the same policies,</p> <p>20 procedures, methodologies that you applied to a</p> <p>21 trading book?</p> <p>22 A. Yes. There were some differences in</p> <p>23 the respect that, from a trading book</p> <p>24 perspective, the analysis would be based on the</p> <p>25 desk marking to bid and the analysis would be</p>

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<p>1 Teague</p> <p>2 then performed based on that bid price. For</p> <p>3 this portfolio we did not have the assets</p> <p>4 already marked to bid. The assets were not</p> <p>5 already marked to bid or being held at bid by</p> <p>6 the firm. That would have been the difference.</p> <p>7 Q. So you had to take an additional step</p> <p>8 with respect to these assets and mark them to a</p> <p>9 bid or an ask before you did your price</p> <p>10 verification; is that right?</p> <p>11 A. Correct.</p> <p>12 Q. Sir, I have placed before you a</p> <p>13 document that was previously marked as</p> <p>14 Deposition Exhibit 817. If you could take a</p> <p>15 moment to review it. Let me know when you're</p> <p>16 done. I'll ask you a couple of questions about</p> <p>17 it.</p> <p>18 (Document review.)</p> <p>19 A. Yes.</p> <p>20 Q. I want to start with the e-mail chain</p> <p>21 that begins on page 2 of this exhibit and work</p> <p>22 our way to page 1. You'll see the first e-mail</p> <p>23 in the chain appears to be an e-mail from</p> <p>24 someone called Brendan Davis to Clement Bernard.</p> <p>25 Do you see that?</p>	<p>1 Teague</p> <p>2 A. Clement, yes.</p> <p>3 Q. Clement. And then the next e-mail up</p> <p>4 is from Clement to James Walker, Marcus Morton,</p> <p>5 Jasen Yang, Steven King. Do you see that?</p> <p>6 A. Yes.</p> <p>7 Q. That shows Clement as with an e-mail</p> <p>8 address of clementbernard@lehman.com; is that</p> <p>9 correct?</p> <p>10 A. Yes.</p> <p>11 Q. Is Clement someone who eventually</p> <p>12 joined Barclays as part of the acquisition?</p> <p>13 A. No, he is not.</p> <p>14 Q. Is he someone that you dealt with in</p> <p>15 connection with the acquisition?</p> <p>16 A. To a very small degree.</p> <p>17 Q. What was the extent of your</p> <p>18 interaction with Mr. Clement?</p> <p>19 A. The majority of my interaction with</p> <p>20 Mr. Clement was through e-mails such as this.</p> <p>21 Q. Now, you will see that the e-mail</p> <p>22 chain begins on page 2 on the evening of</p> <p>23 Wednesday, September 17, 6:19 P.M.; do you see</p> <p>24 that?</p> <p>25 A. Yes.</p>
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<p>1 Teague</p> <p>2 Q. And it's attaching a series of zip</p> <p>3 files, do you see that?</p> <p>4 A. Yes.</p> <p>5 Q. And as you follow that e-mail chain up</p> <p>6 to page 1 of the Exhibit 817, you will see the</p> <p>7 most recent e-mail in the chain, which is the</p> <p>8 top of page 1. It's from Mark Washtell to you,</p> <p>9 do you see that?</p> <p>10 A. Yes.</p> <p>11 Q. And he's basically talking about the</p> <p>12 three files, and the three files that are</p> <p>13 referenced are the three files on the second</p> <p>14 page, do you see that?</p> <p>15 A. Yes.</p> <p>16 Q. During that week of the 15th of</p> <p>17 September and over into the week of the 22nd,</p> <p>18 did you at any time analyze the valuation of a</p> <p>19 portfolio of assets other than what are</p> <p>20 referenced in various documents as the Fed repo</p> <p>21 assets or the assets that came over to Barclays</p> <p>22 as part of the Fed repo? Did you analyze any</p> <p>23 other portfolios of assets for the Lehman</p> <p>24 acquisition?</p> <p>25 MR. HUME: Objection to the form.</p>	<p>1 Teague</p> <p>2 Vague and ambiguous.</p> <p>3 A. Can you restate the question?</p> <p>4 Q. Let me ask it a different way. And</p> <p>5 here's the reason I'm asking it. The files that</p> <p>6 are being analyzed or that are subject of this</p> <p>7 e-mail --</p> <p>8 A. Uh-huh.</p> <p>9 Q. -- begin with these attachments in an</p> <p>10 e-mail Wednesday, September 17, do you see that?</p> <p>11 A. Yes.</p> <p>12 Q. You know that, by the end of the week,</p> <p>13 the transaction took a shape and a form where</p> <p>14 assets that had been pledged to the Fed were</p> <p>15 then transferred over to Barclays, you</p> <p>16 understand that, correct?</p> <p>17 A. Yes.</p> <p>18 Q. Do you have any understanding of what</p> <p>19 the connection is, if any, between these files</p> <p>20 that are being transferred over on Wednesday,</p> <p>21 September 17, and the Fed repo assets that</p> <p>22 ultimately become part of the Barclays/Lehman</p> <p>23 transaction? The same stuff? Different stuff?</p> <p>24 A. In all honesty, I've never done a</p> <p>25 reconciliation. I would assume these -- these</p>

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<p>1 Teague</p> <p>2 were the same assets that would have eventually</p> <p>3 be part of the acquisition.</p> <p>4 Q. And certainly by Friday, September 19,</p> <p>5 Barclays had already received some, but not all,</p> <p>6 of the repo assets, correct?</p> <p>7 A. I have no idea what percentage, but</p> <p>8 yes, I believe there was potentially certain</p> <p>9 aspects, yes, were announced by Friday.</p> <p>10 Q. And things had been transferred over</p> <p>11 Thursday night, correct?</p> <p>12 MR. HUME: Objection. Lacks</p> <p>13 foundation.</p> <p>14 A. I didn't work in Operations. I</p> <p>15 couldn't speak to that subject.</p> <p>16 Q. But the role that you were playing in</p> <p>17 reconciling what was coming over, you knew</p> <p>18 things had come -- securities had come over</p> <p>19 Thursday night?</p> <p>20 MR. HUME: Objection. Lacks</p> <p>21 foundation.</p> <p>22 Q. Did you not, sir?</p> <p>23 A. I did not perform that role. That</p> <p>24 role was within Operations.</p> <p>25 Q. I'm not talking about role. I'm</p>	<p>1 Teague</p> <p>2 talking about your understanding based on where</p> <p>3 you were in the process.</p> <p>4 A. My review was essentially, just say</p> <p>5 from these -- from these files, I was provided a</p> <p>6 summary file and it didn't reconcile to these</p> <p>7 files. I was trying to understand (A) how to</p> <p>8 value based on the underlying and why it didn't</p> <p>9 make sense through the summary file I was</p> <p>10 provided. I didn't look at it from a "what has</p> <p>11 come on balance sheet" perspective. I was being</p> <p>12 told what would come on balance sheet, and it</p> <p>13 didn't reconcile from two different files that</p> <p>14 they provided me.</p> <p>15 Q. I have placed before you a document</p> <p>16 marked Exhibit 860, which is a cover -- two</p> <p>17 pages are cover e-mails, and then a spreadsheet</p> <p>18 that's been printed out or a series of</p> <p>19 spreadsheets that have been printed out from</p> <p>20 native files. Take a look at the document and</p> <p>21 let me know when you're done.</p> <p>22 (Document review.)</p> <p>23 MR. HUME: Sorry. Jay, was this</p> <p>24 produced as a single document? Can you just</p> <p>25 say again what --</p>
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<p>1 Teague</p> <p>2 MR. TAMBE: Yes. That's my</p> <p>3 understanding, is that what has been printed</p> <p>4 out and attached is what was produced as a</p> <p>5 single document as part of --</p> <p>6 MR. HUME: As the attachment?</p> <p>7 MR. TAMBE: As the attachment to this</p> <p>8 e-mail.</p> <p>9 A. Yes, I have reviewed this document.</p> <p>10 MR. HUME: There's a different e-mail</p> <p>11 on page 954 with an additional attachment or</p> <p>12 additional attachments and another e-mail at</p> <p>13 963.</p> <p>14 MR. TAMBE: Yes, and I think all the</p> <p>15 printouts are printouts off the files that</p> <p>16 are attached to each of those e-mails.</p> <p>17 That's what this exhibit is.</p> <p>18 MR. HUME: I'm just noting for the</p> <p>19 record there are a number of e-mails within</p> <p>20 the document that are followed by other</p> <p>21 spreadsheets.</p> <p>22 MR. TAMBE: And my understanding is</p> <p>23 all of that is what gets sent by Mr. Marcus</p> <p>24 Morton to Sean Teague on Thursday, September</p> <p>25 18, 2008. That's the way the e-mail chain</p>	<p>1 Teague</p> <p>2 reads. It's a series of e-mails being</p> <p>3 forwarded by Mr. Morton to Mr. Teague.</p> <p>4 Q. Do you see those?</p> <p>5 A. Yes, I do.</p> <p>6 Q. If you turn to the second page of the</p> <p>7 exhibit, it's literally page 2, the second page</p> <p>8 of this bound exhibit, you'll see another e-mail</p> <p>9 from Clement Bernard to James Walker, Marcus</p> <p>10 Morton and others, and has a subject line</p> <p>11 "Details of 9/16 inventory." Do you see that?</p> <p>12 A. Yes.</p> <p>13 Q. Did you ever perform any kind of</p> <p>14 independent price verification or analysis of</p> <p>15 the securities that were in Lehman's -- on</p> <p>16 Lehman's balance sheet as of 9/16?</p> <p>17 A. State it again. You're saying have I</p> <p>18 on any date performed an analysis of their 9/16</p> <p>19 data?</p> <p>20 Q. Yes.</p> <p>21 A. We did a, which would have been on</p> <p>22 Thursday or Friday, an initial analysis to see</p> <p>23 if we could -- what percentage of these</p> <p>24 portfolios could be independently valued to get</p> <p>25 an idea of the assets that were going to be</p>

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<p>1 Teague 2 delivered. 3 Q. Okay. Just so I understand your 4 answer, then, at some point around the Thursday 5 or Friday of that week, the 18th or the 19th of 6 September, you looked at spreadsheets of Lehman 7 inventory to see what percentage of that 8 inventory could be independently valued from 9 third-party sources, is that fair? 10 A. Correct. 11 Q. And did you prepare any reports or any 12 e-mails that set forth your conclusions about 13 that analysis? 14 A. Well, the first stumbling block on 15 that was, again, of these eight files that were 16 provided, they did not match off to the summary 17 file provided by Lehman. As to what the final 18 results of what could and could not be valued, I 19 do not believe anything was fully consolidated 20 by myself to that nature. 21 There were probably some e-mails from 22 this original file that were provided as 23 feedback to be it Marcus Morton or James Walker 24 on what -- to provide color on what we could 25 value, but that would have been the extent of</p>	<p>1 Teague 2 it, to my knowledge. 3 As per your earlier document, there 4 was work done by Mark Washtell to show, you 5 know, what data could or could not be valued 6 from third-party data. 7 Q. And the earlier document you were 8 referring to was Exhibit 817; is that right? 9 A. Correct. 10 Q. During the week of the 15th, were you 11 part of any efforts to value portfolios of the 12 Lehman securities to account for any alleged 13 failures by Lehman to update their marks from 14 the 12th of September to the 15th of September? 15 Was that a project that you were involved in at 16 all? 17 A. No, it was not. 18 Q. Did you hear any conversations or 19 comments during the week of the 15th about 20 Lehman having failed to update its marks from 21 the 12th of September? 22 A. This is the first I've heard of it. 23 Q. So, up until this morning sitting in 24 this conference room, that's not something 25 you've heard of?</p>
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<p>1 Teague 2 A. No. 3 Q. During the week of the 15th of 4 September, 2008, or thereafter, have you had any 5 conversations or communications with anyone from 6 the Bank of New York about valuing the Lehman -- 7 the securities that were transferred over as 8 part of the Lehman acquisition? 9 A. No, I have not. 10 Q. Do you know whether anyone at Barclays 11 has spoken with anyone at BoNY about that topic? 12 A. Not that I'm aware of. 13 Q. You are aware, are you not, that the 14 Bank of New York had ascribed certain values to 15 some of the securities that were transferred to 16 Barclays as part of the Lehman acquisition? 17 A. Yes. 18 Q. Have you conducted any analyses of the 19 Bank of New York valuations to determine if 20 they're accurate, inaccurate, or to what extent? 21 A. We did a review from an independent 22 valuation perspective of what those prices were. 23 They were (A) stale. They were not reflective 24 of the date of acquisition. 25 In addition, the problem with the BoNY</p>	<p>1 Teague 2 marks, in a very, very volatile marketplace, 3 they were not reflective of -- I believe the 4 last date for the BoNY's was a few days before 5 the acquisition -- they were not reflective of 6 for more illiquid assets of the data that we 7 were seeing. 8 Q. So you rejected all the BoNY values? 9 A. It was used as a last resort. 10 Q. What was the criteria that you used to 11 determine that the BoNY marks were the last 12 resort? 13 A. Well, upon initial review, we found 14 some discrepancies where we didn't think the 15 BoNY valuations were strong. The BoNY 16 valuations were most likely derived strictly 17 from third-party data and it was outdated 18 third-party data, vendor data. 19 If -- I have not worked at BoNY or 20 with BoNY to have a deep understanding of how 21 their prices are attributed, but it was 22 determined instead of doing a full-on analysis 23 of what was wrong with BoNY, it's best to start 24 fresh and perform an independent valuation and 25 just step aside and only use BoNY pricing when</p>

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<p>1 Teague</p> <p>2 and if no other pricing was available.</p> <p>3 Q. So that was the rule, that you would</p> <p>4 only use BoNY when no other pricing was</p> <p>5 available?</p> <p>6 A. Essentially, yes, that was the</p> <p>7 hierarchy. We tried to perform independent</p> <p>8 valuations, and when we couldn't find other</p> <p>9 pricing, we used the BoNY prices.</p> <p>10 Q. So anytime I go through the</p> <p>11 acquisition balance sheet and see a BoNY price</p> <p>12 used by Barclays, what you're telling me is that</p> <p>13 means that you have satisfied yourself that</p> <p>14 there are no other sources of pricing available</p> <p>15 for that security and that's why you used the</p> <p>16 BoNY price?</p> <p>17 A. To the best of my knowledge, yes.</p> <p>18 Q. Do you know whether other people on</p> <p>19 your team used the same hierarchy or approach to</p> <p>20 using or not using BoNY prices?</p> <p>21 A. That was the overall view for, to</p> <p>22 clarify, for any assets such as securitized</p> <p>23 products where there may not have been</p> <p>24 third-party vendor data, i.e., CDOs or ABS</p> <p>25 products, the BoNY prices would have just been</p>	<p>1 Teague</p> <p>2 thrown out even if there is no other price data</p> <p>3 available and independent analysis would have</p> <p>4 been performed using research data.</p> <p>5 Q. So, in some cases where there was no</p> <p>6 other price data available, you would not have</p> <p>7 used BoNY, right?</p> <p>8 A. For illiquid assets, BoNY would not be</p> <p>9 reliable.</p> <p>10 Q. But where BoNY was used, you used it</p> <p>11 because there was no other data available?</p> <p>12 A. Correct.</p> <p>13 Q. Sir, I've handed you a document marked</p> <p>14 as Deposition Exhibit 83B.</p> <p>15 A. Uh-huh.</p> <p>16 Q. It's a cover e-mail and has some</p> <p>17 spreadsheet pages attached to it. Take a moment</p> <p>18 to review it. Let me know when you're done.</p> <p>19 (Document review.)</p> <p>20 A. Okay.</p> <p>21 Q. You'll see the front page of this</p> <p>22 exhibit is an e-mail from Stephen Sell to</p> <p>23 various people. Do you see that?</p> <p>24 A. Yes.</p> <p>25 Q. Do you know Mr. Sell?</p>
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<p>1 Teague</p> <p>2 A. Yes.</p> <p>3 Q. And where does he fit into the</p> <p>4 Barclays structure?</p> <p>5 A. I believe at the time he was COO for</p> <p>6 Stephen King.</p> <p>7 Q. So, again, I'm just trying to figure</p> <p>8 out where people fit in the structure. Is he a</p> <p>9 trader?</p> <p>10 A. No, he would be the business manager,</p> <p>11 in a sense, for Stephen King's desk.</p> <p>12 Q. And you'll see his e-mail is sent</p> <p>13 Sunday, September 21, do you see that?</p> <p>14 A. Yes.</p> <p>15 Q. And the e-mail is CC'd to people like</p> <p>16 Marcus Morton, James Walker, Stephen King and</p> <p>17 others. Do you see that?</p> <p>18 A. Yes.</p> <p>19 Q. In his e-mail, Steve Sell states, "I</p> <p>20 have received agreement/consensus from Stephen</p> <p>21 King and James Walker. We should progress down</p> <p>22 the following path," and he sets out some bullet</p> <p>23 points, do you see that?</p> <p>24 A. Yes.</p> <p>25 Q. Do you have an understanding or</p>	<p>1 Teague</p> <p>2 knowledge about what this agreement or consensus</p> <p>3 was that Mr. Sell was referring to in his</p> <p>4 e-mail?</p> <p>5 A. Is my name on this?</p> <p>6 MR. HUME: Objection. Lacks</p> <p>7 foundation.</p> <p>8 A. Is my --</p> <p>9 Q. I didn't hear what you said.</p> <p>10 A. Apologies. Is my name on this e-mail?</p> <p>11 Q. Your name is not on this e-mail, no.</p> <p>12 A. Yeah, I've never seen this e-mail. So</p> <p>13 what was the question again?</p> <p>14 Q. Do you have an understanding or</p> <p>15 knowledge about what this agreement or consensus</p> <p>16 was that Mr. Sell was referring to in his</p> <p>17 e-mail?</p> <p>18 A. No. From reading the e-mail, I</p> <p>19 believe it looks as though they're talking about</p> <p>20 how to book these assets onto Barclays' system.</p> <p>21 Q. And in your view or your</p> <p>22 understanding, booking the phrase "onto the</p> <p>23 system" is different from doing an independent</p> <p>24 valuation of those trades; is that right?</p> <p>25 A. That's correct.</p>

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<p>1 Teague</p> <p>2 Q. And your understanding was there was a</p> <p>3 two-stage process: The trades were booked into</p> <p>4 Barclays, and then you and your team went about</p> <p>5 ascribing a value to those transactions or</p> <p>6 trades; is that right?</p> <p>7 A. Yes.</p> <p>8 Q. So, going to his bullet points on his</p> <p>9 e-mail where he says, "We should book all</p> <p>10 positions from the Lehman financing facility to</p> <p>11 BCI," he's got a parenthetical there, was that</p> <p>12 done? Were all trades booked to BCI?</p> <p>13 MR. HUME: Objection. Lacks</p> <p>14 foundation.</p> <p>15 A. Again, I was looking at it more from</p> <p>16 an independent valuation perspective. I can't</p> <p>17 speak to the -- how the accounting was</p> <p>18 originally performed and how the booking was</p> <p>19 handled by Operations.</p> <p>20 Q. The next bullet point says, "We should</p> <p>21 book based on the price within the BoNY file, at</p> <p>22 least for day one." Do you see that?</p> <p>23 A. Yes.</p> <p>24 Q. Do you know whether that was done?</p> <p>25 MR. HUME: Objection. Lacks</p>	<p>1 Teague</p> <p>2 foundation.</p> <p>3 A. Again, I wasn't -- it was outside of</p> <p>4 my role.</p> <p>5 Q. So you don't know whether it was done</p> <p>6 or wasn't done?</p> <p>7 A. Correct. I couldn't -- couldn't</p> <p>8 opine.</p> <p>9 Q. Were you involved at all in the</p> <p>10 process or the decision as to how the securities</p> <p>11 that were being taken on as part of the Lehman</p> <p>12 acquisition, how those would be allocated or</p> <p>13 placed with different trading desks?</p> <p>14 A. It was placed, from a very, very high</p> <p>15 level, it was placed as a means to whatever</p> <p>16 systems were managed by whatever trading desks</p> <p>17 could handle these assets. So you wouldn't book</p> <p>18 it to a trading desk where they were unable to</p> <p>19 properly book those assets, which is why it was</p> <p>20 split between different trading desks.</p> <p>21 So Stephen King oversaw the, you know,</p> <p>22 what came on the balance sheet, but because we</p> <p>23 don't have one system to handle all products, it</p> <p>24 was booked to different areas.</p> <p>25 Q. So, taking Mr. King as an example,</p>
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<p>1 Teague</p> <p>2 what types of assets would have been booked to</p> <p>3 his trading desk?</p> <p>4 A. The structured or securitized</p> <p>5 products.</p> <p>6 Q. Including mortgage products?</p> <p>7 A. I can't say if it was all underneath</p> <p>8 him or not, but yes.</p> <p>9 Q. So securitized and structured products</p> <p>10 would be placed with Mr. King?</p> <p>11 A. Again, speaking very high level,</p> <p>12 that's how it would work.</p> <p>13 Q. And when those transactions or trades</p> <p>14 were allocated to Mr. King's desk, they would be</p> <p>15 allocated at a certain value, correct?</p> <p>16 A. Again, whatever price they used to put</p> <p>17 it onto the systems was just a function of</p> <p>18 bringing it onto the systems.</p> <p>19 Q. Once they were onto the systems, at</p> <p>20 some point, either subsequent days and weeks,</p> <p>21 you and your team would go -- did go through and</p> <p>22 revalue those securities; is that right?</p> <p>23 A. For the purposes of opening balance</p> <p>24 sheet, correct.</p> <p>25 Q. Again, I just want to understand the</p>	<p>1 Teague</p> <p>2 mechanics of this process. Say a security had</p> <p>3 been taken onto Mr. King's books at \$100, and</p> <p>4 you came by two weeks later and said, well, that</p> <p>5 should really only be \$90, what impact would</p> <p>6 that adjustment of valuation of that security</p> <p>7 have on Mr. King's P&L, if any?</p> <p>8 MR. HUME: Objection. Lacks</p> <p>9 foundation.</p> <p>10 A. You would have to talk to the Product</p> <p>11 Control area to go into the nuances of how the</p> <p>12 accounting aspects were performed. I'm really</p> <p>13 not privy to the specifics of that because it</p> <p>14 was more so done on a portfolio, the overall</p> <p>15 valuation, so that was most likely not how the</p> <p>16 prices were updated in the system, as you're</p> <p>17 suggesting.</p> <p>18 Q. I don't understand, I guess, the</p> <p>19 answer.</p> <p>20 A. It would be most likely a portfolio</p> <p>21 adjustment. We wouldn't go CUSIP-by-CUSIP and</p> <p>22 change prices in the system.</p> <p>23 Q. Okay. Just so --</p> <p>24 A. Because time moves on.</p> <p>25 Q. Right.</p>

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<p>1 Teague</p> <p>2 A. So a price today will not be the price</p> <p>3 tomorrow. So I wouldn't -- by the time the</p> <p>4 analysis was done, it would not be a number that</p> <p>5 would then be ascribed to a position for a</p> <p>6 previous date. So, after that point in time, it</p> <p>7 would be a desk's responsibility to mark that</p> <p>8 position on a going forward basis to ensure it's</p> <p>9 in line with the market, and any adjustment</p> <p>10 would be what would, you know, would be on a</p> <p>11 portfolio basis against all of the assets.</p> <p>12 Q. If you can just stick with the</p> <p>13 example. Assume there's a security that's been</p> <p>14 allocated or transferred to Mr. King's desk at</p> <p>15 100, initially. It's now on the systems of</p> <p>16 Barclays at 100.</p> <p>17 A. Yes.</p> <p>18 Q. Correct? Two weeks later, you come</p> <p>19 through and say, well, it shouldn't have been</p> <p>20 put on at 100, the right value as of the right</p> <p>21 measurement date was actually 90.</p> <p>22 A. Yes.</p> <p>23 Q. In that example, would there be any</p> <p>24 impact, forget about the specific impact, would</p> <p>25 there be any impact on the P&L for Mr. King's</p>	<p>1 Teague</p> <p>2 trading desk?</p> <p>3 MR. HUME: Objection. Lacks</p> <p>4 foundation.</p> <p>5 A. From a more high-level perspective, it</p> <p>6 would be more so, taking it from 9/22 to 12/31,</p> <p>7 it would be at whatever value we attributed to</p> <p>8 the portfolio for 9/22 and the value at to say</p> <p>9 year-end, you could just look at the difference</p> <p>10 between the portfolio value. Again, I don't</p> <p>11 think trying to bring it to the security level</p> <p>12 value probably reflects the way any P&L would</p> <p>13 have been performed.</p> <p>14 Q. Maybe to simplify it, assume that the</p> <p>15 only security that was transferred to Mr. King's</p> <p>16 desk was the one security with \$100 value,</p> <p>17 initially. You came by later and said, well</p> <p>18 that should have been 90, not 100, and at the</p> <p>19 end of the year, at 12/31, when you do your</p> <p>20 valuation for that security again for year-end</p> <p>21 purposes, you say it's got a value of 120.</p> <p>22 Just looking at that security, based</p> <p>23 on your valuations, there's been a \$30</p> <p>24 appreciation in the value of that security.</p> <p>25 Based on the initial \$100 valuation of that</p>
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<p>1 Teague</p> <p>2 security, there's only been a \$20 appreciation</p> <p>3 in that security. Which value would be used by</p> <p>4 Mr. King's desk for their P&L purpose, 20 or 30?</p> <p>5 A. Whatever price we attributed is the</p> <p>6 opening price. The price that the desk</p> <p>7 attributed for year-end would essentially be the</p> <p>8 closing price, and any analysis on that price</p> <p>9 would be performed by Independent Valuations at</p> <p>10 year-end; and if we thought that price was out</p> <p>11 of line, we would raise it to senior management</p> <p>12 to ensure adjustments were made to that price.</p> <p>13 So, just in short, opening price would</p> <p>14 be determined within the Valuations, and the</p> <p>15 price at year-end would be determined by the</p> <p>16 desk, and that's essentially how the P&L aspect</p> <p>17 would work, would be IVC assign a price for the</p> <p>18 opening balance sheet, and from that date</p> <p>19 forward, it would be the desk's responsibility</p> <p>20 to mark and manage the positions within the</p> <p>21 portfolio.</p> <p>22 Q. Let's take a concrete example. Let's</p> <p>23 look at the Giants Stadium Bonds. For</p> <p>24 acquisition balance sheet purposes, you assign</p> <p>25 values of \$10 or \$40 per hundred for those</p>	<p>1 Teague</p> <p>2 securities, correct?</p> <p>3 A. We used the prices that were</p> <p>4 provided --</p> <p>5 Q. By BoNY?</p> <p>6 A. -- from BoNY.</p> <p>7 Q. So that's an example where you used</p> <p>8 BoNY because you had nothing else?</p> <p>9 A. That's correct.</p> <p>10 Q. All right. So let's use that example.</p> <p>11 Independent Valuation Group says the</p> <p>12 Giants Bonds as of the acquisition date are</p> <p>13 worth either \$10 per hundred or \$40 per hundred,</p> <p>14 correct? Right?</p> <p>15 A. Correct.</p> <p>16 Q. That's what you did?</p> <p>17 A. Yes.</p> <p>18 Q. Right? And the Giants Bonds by 12/31</p> <p>19 had been valued by Barclays at 100 cents on the</p> <p>20 collar, correct?</p> <p>21 A. That's correct.</p> <p>22 Q. So on those valuations of those Giants</p> <p>23 Bonds, the difference from \$10 per hundred to</p> <p>24 \$100 per hundred would be a gain on that</p> <p>25 position for whatever desk held those Giants</p>

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<p>1 Teague</p> <p>2 Stadium Bonds, correct?</p> <p>3 A. That's correct.</p> <p>4 Q. And the same for the Giants Stadium</p> <p>5 bonds that were valued by the Independent</p> <p>6 Valuation Group at 40, and at 12/31 or by 12/31</p> <p>7 were marked up to hundred percent. There would</p> <p>8 be a gain from the 40 per hundred to a hundred</p> <p>9 per hundred, correct?</p> <p>10 A. That's correct. Market conditions had</p> <p>11 changed over that time period.</p> <p>12 Q. Is that what happened with Giants</p> <p>13 Stadium, the market conditions change?</p> <p>14 A. A combination of market conditions and</p> <p>15 legal aspects of the Giants themselves, of the</p> <p>16 auction rate notes themselves.</p> <p>17 Q. What happened?</p> <p>18 A. As of the acquisition, using the</p> <p>19 dataset that we knew at the time of the</p> <p>20 acquisition, we were looking at a handful of</p> <p>21 auction rate notes which had not been brought to</p> <p>22 auction since March of 2008. The last time one</p> <p>23 was brought to auction in March of 2008, it had</p> <p>24 failed auction, and it would appear Lehman made</p> <p>25 no attempt to bring them to auction again. And</p>	<p>1 Teague</p> <p>2 at such time of the acquisition, there was still</p> <p>3 no means to value these, as they had not been</p> <p>4 auctioned at that point in time for six months,</p> <p>5 and a full process would have to be put in place</p> <p>6 for the firm to be able to bring them to auction</p> <p>7 and we had no knowledge if these would fail</p> <p>8 auction again as they had failed auction the</p> <p>9 last time they were brought.</p> <p>10 Q. Had the Giants been paying a default</p> <p>11 rate of interest on the bonds as of the</p> <p>12 acquisition date?</p> <p>13 A. Yes.</p> <p>14 Q. So the auction that had failed back in</p> <p>15 March of 2008 had resulted in a default rate</p> <p>16 being applied, correct?</p> <p>17 A. That specific default rate for the</p> <p>18 asset that had failed auction was I believe</p> <p>19 approximately 22 percent. As Lehman never</p> <p>20 brought it to auction again, it was paying</p> <p>21 somewhere in the neighborhood of Libor plus 25</p> <p>22 or Libor plus 50 after that.</p> <p>23 Q. Other than looking to see whether</p> <p>24 there had been failed auctions or no auctions,</p> <p>25 did you do any other analysis to determine what</p>
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<p>1 Teague</p> <p>2 value should be ascribed to the Giants Stadium</p> <p>3 Bonds as of the acquisition date?</p> <p>4 A. The reinsurer that wrapped the</p> <p>5 Barclays -- the Barclays positions, the Giants</p> <p>6 notes were being held by a double C I believe</p> <p>7 rated reinsurance. Due to that fact, you could</p> <p>8 not compare those to any other assets that would</p> <p>9 be out there and wrapped by a much better</p> <p>10 reinsurance firm, and munis do not trade</p> <p>11 actively without a strong wrap in that market</p> <p>12 for auction rate notes. So, again, it brought</p> <p>13 into question if -- if these would actually</p> <p>14 succeed if brought back to auction.</p> <p>15 Q. You said munis do not trade actively.</p> <p>16 Do you consider the Giants Stadium issuance to</p> <p>17 be a muni issuance?</p> <p>18 A. It's an auction rate note, in</p> <p>19 actuality. But auction rates notes had been</p> <p>20 having issues since October of 2007, and the</p> <p>21 market completely shut down for auction rate</p> <p>22 notes in March 2008.</p> <p>23 So we had really limited -- there was</p> <p>24 actually no data from March on, and just as</p> <p>25 an -- as a product group, auction rate notes</p>	<p>1 Teague</p> <p>2 were limping along for over a year at that point</p> <p>3 in time.</p> <p>4 Q. Was it the case that any other auction</p> <p>5 rate securities held by Barclays were marked at</p> <p>6 10 cents on the dollar or 40 cents on the</p> <p>7 dollar, was that the case?</p> <p>8 A. I don't recollect without having the</p> <p>9 dataset in front of me, but any auction rate</p> <p>10 notes in this situation were marked to BoNY</p> <p>11 because we had no other available data, and</p> <p>12 doing a cursory analysis, there was limited</p> <p>13 information to, you know, to price it in any</p> <p>14 other way.</p> <p>15 Q. That's what I'm trying to figure out.</p> <p>16 Was your analysis detailed or cursory when you</p> <p>17 ascribed a value to the Giants Stadium Bonds for</p> <p>18 purposes of the acquisition balance sheet?</p> <p>19 MR. HUME: Objection. Vague and</p> <p>20 ambiguous.</p> <p>21 Q. Your word, "cursory." What do you</p> <p>22 mean by "cursory"?</p> <p>23 A. The overall view of the book was that</p> <p>24 if we didn't have a price, then we would ascribe</p> <p>25 the price provided by BoNY.</p>

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<p>1 Teague</p> <p>2 I had not performed a large amount of</p> <p>3 auction rate note analysis in the past because</p> <p>4 we as a firm did not have an auction rate desk</p> <p>5 like Lehman had. We were not bringing positions</p> <p>6 to market.</p> <p>7 At that point in time, there was the</p> <p>8 issue of breaking the dollar, as they stated,</p> <p>9 where some firms were having issues,</p> <p>10 specifically, money market funds, because their</p> <p>11 assets had been worth less than a dollar, so</p> <p>12 there was no auction rate market.</p> <p>13 Looking at it from that perspective,</p> <p>14 and here is an asset that hadn't traded for six</p> <p>15 months, we put our, you know, our understanding</p> <p>16 was, well, if BoNY was able to ascribe a price</p> <p>17 to this, they, you know, must have additional</p> <p>18 detailed information, so let's work with the</p> <p>19 BoNY price because we have no other market data</p> <p>20 out there, there's no, again, for an asset that</p> <p>21 hasn't traded in six months, you're not going to</p> <p>22 have additional market data to ascribe to it</p> <p>23 directly from the marketplace.</p> <p>24 Q. Just so I understand your answer, you</p> <p>25 guessed that BoNY may have had some additional</p>	<p>1 Teague</p> <p>2 information about these securities and that's</p> <p>3 why you felt comfortable taking the BoNY price;</p> <p>4 is that right?</p> <p>5 MR. HUME: Objection to the form.</p> <p>6 A. I can't speak to how BoNY performed</p> <p>7 any of their valuations.</p> <p>8 Q. You have no idea, right? You had no</p> <p>9 idea whether they had any special insights into</p> <p>10 this security versus any of the others?</p> <p>11 A. No, I would not have known how</p> <p>12 specific -- any of the specifics of any of the</p> <p>13 BoNY valuations.</p> <p>14 Q. And in general, you thought that their</p> <p>15 valuations were riddled with stale information,</p> <p>16 improper third-party marks, all sorts of</p> <p>17 problems?</p> <p>18 A. Which is why we used them as the</p> <p>19 last -- that was our last resort in the</p> <p>20 hierarchy.</p> <p>21 Q. Going back to the monoline wrapper you</p> <p>22 talked about --</p> <p>23 A. Again, going with no other data</p> <p>24 available, you have to take what data is</p> <p>25 available to you.</p>
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<p>1 Teague</p> <p>2 Q. Did you look at values at which other</p> <p>3 corporate auction rate securities had been</p> <p>4 trading, if they had traded in the past week, in</p> <p>5 the past month?</p> <p>6 A. That's illogical. Why would you take</p> <p>7 an asset --</p> <p>8 Q. Did you do that? I understand you</p> <p>9 think it's illogical. Did you do that?</p> <p>10 A. It's illogical.</p> <p>11 Q. So you didn't do it?</p> <p>12 A. If you were going to look at something</p> <p>13 that was selling versus something that's not</p> <p>14 selling, it doesn't work.</p> <p>15 Q. So you didn't do it?</p> <p>16 A. No. Nothing with a double C was about</p> <p>17 to trade on the street. If I were to do that, I</p> <p>18 would be looking at something that's triple A.</p> <p>19 That would not reflect these assets.</p> <p>20 Q. What was the credit rating for the</p> <p>21 Giants -- the issuer itself?</p> <p>22 A. That I do not recollect.</p> <p>23 Q. Had there been any default on the</p> <p>24 payment of any interest by the Giants Stadium</p> <p>25 issuing authority that had issued the bonds?</p>	<p>1 Teague</p> <p>2 Had they failed to make interest payments?</p> <p>3 A. Not that I'm aware.</p> <p>4 Q. As far as you know, at any point had</p> <p>5 the Giants Stadium issuer failed to make</p> <p>6 interest payments on any of these bonds?</p> <p>7 A. Not that I'm aware of.</p> <p>8 Q. The wrap, the monoline --</p> <p>9 A. There would have been no reason for</p> <p>10 them to at that point as well because the rates</p> <p>11 were set artificially low by Lehman if they were</p> <p>12 not bringing it to market. So if you were not</p> <p>13 paying the market rate, then there was limited</p> <p>14 reason for you to not pay your coupon. If we</p> <p>15 were to bring it back to auction, it's very</p> <p>16 difficult to say if that would be the same</p> <p>17 scenario.</p> <p>18 Q. Well, when you did bring it back to</p> <p>19 auction, did the Giants default on the interest</p> <p>20 obligations?</p> <p>21 A. No, they did not.</p> <p>22 Q. And when you brought it back to</p> <p>23 auction, the rate was what, 16 percent?</p> <p>24 A. Yes, it was 16, 17 percent.</p> <p>25 Q. And they paid that?</p>

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<p>1 Teague</p> <p>2 A. Yes.</p> <p>3 Q. As part of trying to do whatever</p> <p>4 analysis you did on the Giants Stadium Bonds</p> <p>5 when you got them for acquisition balance sheet</p> <p>6 purposes, did you talk to any of the Lehman</p> <p>7 traders that had traded auction rate securities?</p> <p>8 A. No, I did not.</p> <p>9 Q. Did none of them come over to</p> <p>10 Barclays?</p> <p>11 A. I couldn't speak to that.</p> <p>12 Q. You don't know one way or the other?</p> <p>13 A. No. If -- I mean, in all honesty, I</p> <p>14 think many traders came over at first, and I</p> <p>15 don't know if they ended up staying, so I</p> <p>16 couldn't speak to that.</p> <p>17 Q. Did you look to see how Lehman had</p> <p>18 marked the Giants Stadium Bonds on Lehman's</p> <p>19 books?</p> <p>20 A. I honestly would imagine they marked</p> <p>21 everything to par, which wouldn't probably make</p> <p>22 any sense if nothing was passing, but no I did</p> <p>23 not.</p> <p>24 Q. You didn't check to see?</p> <p>25 A. No.</p>	<p>1 Teague</p> <p>2 Q. When you say you imagined they marked</p> <p>3 everything to par, you're just guessing?</p> <p>4 A. I'm just guessing because I think</p> <p>5 there was a small issue in the marketplace at</p> <p>6 that point in time where there was potential</p> <p>7 issues where, you know, there was no market</p> <p>8 color.</p> <p>9 MR. HUME: Jay, would now be a good</p> <p>10 time for a break?</p> <p>11 MR. TAMBE: If you could just wait for</p> <p>12 five or ten minutes. I'm going on to</p> <p>13 another document on Giants Stadium. Is that</p> <p>14 okay with you?</p> <p>15 THE WITNESS: Sure.</p> <p>16 (Deposition Exhibit 864, a document</p> <p>17 bearing Bates Nos. PwC-BarCap00046054</p> <p>18 through 056, marked for identification, as</p> <p>19 of this date.)</p> <p>20 Q. Sir, I have handed you a three-page</p> <p>21 document. It's an e-mail chain that's been</p> <p>22 marked as Exhibit 864. If you take a moment to</p> <p>23 review this e-mail chain. Let me know when</p> <p>24 you're done. My question at least for this pass</p> <p>25 through are going to be limited to the Giants</p>
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<p>1 Teague</p> <p>2 Stadium issue. We'll come back and talk about</p> <p>3 the Pine issue, which is also in this e-mail</p> <p>4 traffic.</p> <p>5 (Document review.)</p> <p>6 A. Okay. I'm done.</p> <p>7 Q. This e-mail chain begins, the oldest</p> <p>8 e-mail I believe is on the third page of this</p> <p>9 exhibit. It's from Paul Cobson to you. Do you</p> <p>10 see that?</p> <p>11 A. Yes.</p> <p>12 Q. And who is Mr. Copson?</p> <p>13 A. Mr. Copson is the head of Product</p> <p>14 Control for Barclays Capital.</p> <p>15 Q. So, again, in terms of hierarchy?</p> <p>16 A. He reports in to Patrick Clackson.</p> <p>17 Q. So it's Marcus Morton to Copson to --</p> <p>18 A. At that point in time, it was Marcus</p> <p>19 Morton in to James Walker.</p> <p>20 Q. Okay.</p> <p>21 A. And James Walker in New York would</p> <p>22 have reported in to -- I'm not quite sure. It</p> <p>23 was either Paul Copson or directly in to Patrick</p> <p>24 Clackson. I think it was in to Paul Copson. So</p> <p>25 the --</p>	<p>1 Teague</p> <p>2 Q. Marcus to Walker to Copson?</p> <p>3 A. Correct.</p> <p>4 Q. Sean to Marcus?</p> <p>5 A. Correct.</p> <p>6 Q. And on up the chain. Okay.</p> <p>7 So the boss had some questions about</p> <p>8 the markups in the Giants Stadium, correct?</p> <p>9 A. Correct.</p> <p>10 Q. And you provide your analysis, you</p> <p>11 provide an answer on the second page, and then</p> <p>12 some more detail in the first and second page.</p> <p>13 When you were providing this</p> <p>14 explanation to Mr. Copson, you were trying to be</p> <p>15 complete and accurate, correct?</p> <p>16 A. Correct.</p> <p>17 Q. And you believed you were complete and</p> <p>18 accurate in describing the reasons and the</p> <p>19 rationale for why you had marked the Giants</p> <p>20 Stadium bonds the way you had and then why they</p> <p>21 was subsequently marked up, correct?</p> <p>22 A. Correct.</p> <p>23 MR. HUME: Objection. Vague and</p> <p>24 ambiguous.</p> <p>25 Q. Was it your understanding that this</p>

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<p>1 Teague</p> <p>2 information that you were providing Mr. Copson</p> <p>3 was going to be provided to outside auditors for</p> <p>4 the bank as well?</p> <p>5 A. At that moment, no.</p> <p>6 Q. Other than this e-mail traffic, did</p> <p>7 you have any face-to-face meetings or telephonic</p> <p>8 discussions with Mr. Copson about the Giants</p> <p>9 Stadium valuation?</p> <p>10 A. Not that I recollect. I believe this</p> <p>11 e-mail at the time, he was -- he found it</p> <p>12 sufficient.</p> <p>13 Q. Subsequent to this e-mail traffic, at</p> <p>14 any point since the time you worked on the</p> <p>15 acquisition balance sheet, have you had</p> <p>16 face-to-face or telephonic discussions with Mr.</p> <p>17 Copson about the Giants Stadium valuation?</p> <p>18 A. I kept him aware of any other</p> <p>19 improvements in the pricing of Giants Stadium.</p> <p>20 Q. So my understanding is, subsequent to</p> <p>21 this e-mail chain, which looks like it's in</p> <p>22 November of 2008?</p> <p>23 A. Yes.</p> <p>24 Q. There would have been a further</p> <p>25 revaluation or marking up of the Giants Stadium</p>	<p>1 Teague</p> <p>2 bonds before year-end, correct?</p> <p>3 A. As course of regular action, we were</p> <p>4 price-testing the portfolio at month-end as well</p> <p>5 as the opening balance sheet. So, yes, through</p> <p>6 the month-end independent price testing, we were</p> <p>7 also reviewing where the desks were marked and</p> <p>8 where we thought assets were marked for this</p> <p>9 portfolio.</p> <p>10 Q. So for the Giants Stadium bonds in</p> <p>11 particular, by the end of the year, those marks</p> <p>12 were at 100 percent?</p> <p>13 A. That's correct.</p> <p>14 Q. And you would have kept Mr. Copson</p> <p>15 advised of that?</p> <p>16 A. Yes, I would have sent him e-mails as</p> <p>17 far as improvements in the pricing of Giants.</p> <p>18 Q. Other than Giants Stadium bonds and</p> <p>19 the Pine CLO that's referenced in this e-mail</p> <p>20 chain, were there any other particular positions</p> <p>21 that you had e-mail traffic with Mr. Copson on?</p> <p>22 A. Not that I recollect.</p> <p>23 Q. And other than specific e-mails on</p> <p>24 Pine and Giants Stadium, were you providing any</p> <p>25 general reports to Mr. Copson via e-mail about</p>
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<p>1 Teague</p> <p>2 price improvements in the portfolio?</p> <p>3 A. Upon request, if he had any specific,</p> <p>4 I don't know, CUSIP level questions or anything</p> <p>5 of that nature, then I would reply, but there</p> <p>6 was nothing, there was nothing formalized.</p> <p>7 MR. TAMBE: Let's take a break now.</p> <p>8 (Recess; Time Noted: 11:12 A.M.)</p> <p>9 (Time Noted: 11:34 A.M.)</p> <p>10 BY MR. TAMBE:</p> <p>11 Q. Mr. Teague, I want to go back to the</p> <p>12 desk allocation issue just to understand a few</p> <p>13 of the mechanics a little bit more.</p> <p>14 Ordinarily when a desk acquired a</p> <p>15 security through a transaction, they would have</p> <p>16 to take money out of one of their accounts or</p> <p>17 their funds and go buy the security, correct?</p> <p>18 A. Yes.</p> <p>19 Q. In this case, did the desks have to</p> <p>20 buy the securities that were being allocated to</p> <p>21 them?</p> <p>22 A. I couldn't speak to that aspect of it.</p> <p>23 I was just looking at the valuations of the</p> <p>24 underlying assets.</p> <p>25 Q. Were there any type of charges</p>	<p>1 Teague</p> <p>2 assessed to the desks when they were allocated</p> <p>3 securities?</p> <p>4 A. Again, I only focused on the valuation</p> <p>5 of the assets to determine market value. I</p> <p>6 couldn't speak to the, you know, that aspect of</p> <p>7 the deal.</p> <p>8 Q. So you know nothing about it?</p> <p>9 A. No. That would be more of a P&L</p> <p>10 question. If you spoke with the Product</p> <p>11 Control, not IVC, Product Control could provide</p> <p>12 you more clarity.</p> <p>13 Q. Who should I speak to to get clarity</p> <p>14 on that issue?</p> <p>15 MR. HUME: The answer should be given</p> <p>16 without prejudice to the fact that discovery</p> <p>17 is over. A hypothetical question.</p> <p>18 A. Yeah, I guess the individual who is no</p> <p>19 longer with the firm who oversaw the specifics</p> <p>20 of the Product Control would have been Tom --</p> <p>21 Q. McCosker?</p> <p>22 A. Yes. Thanks.</p> <p>23 Q. Do you know where Tom is?</p> <p>24 A. C12.</p> <p>25 Q. What's C12?</p>

<p style="text-align: right;">Page 78</p> <p>1 Teague</p> <p>2 A. It's a -- he's still --</p> <p>3 Q. It's not sub-basement 12 or something</p> <p>4 like that?</p> <p>5 A. No, he's with Stephen King.</p> <p>6 Q. Oh, okay.</p> <p>7 A. A separate hedge fund.</p> <p>8 Q. All right.</p> <p>9 A. Carbon.</p> <p>10 Q. Do you have any understanding as to</p> <p>11 any capital charges that are assessed to the</p> <p>12 desks against positions that they're holding?</p> <p>13 MR. HUME: Objection. Asked and</p> <p>14 answered.</p> <p>15 A. That's outside of my scope.</p> <p>16 Q. Once securities were allocated to</p> <p>17 particular trading desks following the</p> <p>18 acquisition, you do understand that there would</p> <p>19 be in certain situations capital charges that</p> <p>20 would be assessed to desks for the regulatory</p> <p>21 capital that the bank has to carry against those</p> <p>22 assets; is that right?</p> <p>23 A. Yes. Conceptually, yes, that's how it</p> <p>24 works.</p> <p>25 Q. And the charges that are assessed</p>	<p style="text-align: right;">Page 79</p> <p>1 Teague</p> <p>2 against the desks would be driven in part by the</p> <p>3 values at which those securities are being</p> <p>4 carried on the books of Barclays, correct?</p> <p>5 A. Yes.</p> <p>6 Q. And the value that's used for those</p> <p>7 capital charge purposes is the value that is</p> <p>8 derived by your group, not by the traders,</p> <p>9 correct?</p> <p>10 A. Sorry, you're saying as of day one or</p> <p>11 as of day two?</p> <p>12 Q. As soon as you have done your</p> <p>13 valuation, as soon as you completed your</p> <p>14 valuation.</p> <p>15 A. I don't believe -- I can't speak</p> <p>16 freely to that, but I believe, you know, as the</p> <p>17 world keeps moving forward, again, I don't think</p> <p>18 anyone after the day of the acquisition would be</p> <p>19 looking at the opening balance sheet price. It</p> <p>20 would be wherever the desk is marking it, so</p> <p>21 it's really the desk price.</p> <p>22 Q. And at month-end when you come in and</p> <p>23 do an independent valuation on the desk prices,</p> <p>24 those levels would be adjusted based on what</p> <p>25 your view was of an independent valuation of</p>
<p style="text-align: right;">Page 80</p> <p>1 Teague</p> <p>2 those positions, correct?</p> <p>3 A. So if we found a potential issue with</p> <p>4 a mark at month-end, if it's done and if we --</p> <p>5 if we perform a remark within the first just say</p> <p>6 four business days of the month, that price will</p> <p>7 be adjusted for month-end. If for more illiquid</p> <p>8 assets or assets where we don't have the market</p> <p>9 data in that short a time period, the remarks</p> <p>10 will take place within the following month.</p> <p>11 Q. Sir, I have handed you a three-page</p> <p>12 document previously marked as Deposition Exhibit</p> <p>13 801B. Take a moment to look at it and let me</p> <p>14 know when you're done and I'll ask you some</p> <p>15 questions about it.</p> <p>16 (Document review.)</p> <p>17 A. Okay.</p> <p>18 Q. The attachment to this e-mail chain,</p> <p>19 which is the table that appears on the last page</p> <p>20 of the exhibit, is it a document that you're</p> <p>21 familiar with? Have you seen that before today?</p> <p>22 A. I've seen, yes, I remember this</p> <p>23 e-mail.</p> <p>24 Q. And does this e-mail relate to the</p> <p>25 process you described earlier about the</p>	<p style="text-align: right;">Page 81</p> <p>1 Teague</p> <p>2 reconciliation of what was coming over and where</p> <p>3 it was being placed?</p> <p>4 A. This would be, yes, so from an</p> <p>5 operational perspective, when Operations would</p> <p>6 speak to -- the Lehman Operations would be in</p> <p>7 discussions with Barclays' Operations on what</p> <p>8 was coming over, and they would make sure</p> <p>9 nothing was what they call in the industry DKed,</p> <p>10 where essentially it was kicked back because of</p> <p>11 any potential issues. When they were bringing</p> <p>12 these onboard, Operations needed to make sure</p> <p>13 they were putting it in the proper placeholders,</p> <p>14 and in that sense, because there was assets of</p> <p>15 many different types, these all would not</p> <p>16 usually land on one trading desk because of</p> <p>17 systems issues.</p> <p>18 So this was Phil Nash, who was head of</p> <p>19 Product Control for the Americas, still is</p> <p>20 Product Control head of the Americas, was</p> <p>21 helping coordinate the data for settlement to</p> <p>22 ensure that the individual Mike Goldstein in the</p> <p>23 e-mail, as you see on the first page, managed</p> <p>24 projects for Product Control, and Mike Goldstein</p> <p>25 was trying to coordinate to ensure the product</p>

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<p>1 Teague</p> <p>2 controllers update the attached file so it would</p> <p>3 basically be a means to capture where everything</p> <p>4 is going to settle, who the contacts are and,</p> <p>5 you know, what systems it'll be located in by</p> <p>6 asset class.</p> <p>7 Q. The second page of the e-mail at the</p> <p>8 bottom at the page is from Michael Goldstein to</p> <p>9 James Walker, Marcus Morton and Phil Nash, do</p> <p>10 you see that?</p> <p>11 A. Yes.</p> <p>12 Q. And he's got a few points, enumerated</p> <p>13 points, do you see that?</p> <p>14 A. Yes.</p> <p>15 Q. The first point is, "Agreed to have</p> <p>16 trade date of September 22." Do you see that?</p> <p>17 A. Yes.</p> <p>18 Q. Do you have an understanding as to</p> <p>19 what he was referring to, "Agreed to have trade</p> <p>20 date of September 22"? Agreed with whom?</p> <p>21 A. I can't -- I can't say with whom. As</p> <p>22 far as Mike I think was trying to confirm with</p> <p>23 management what the proper settlement date</p> <p>24 should be for the system.</p> <p>25 Q. Is it your understanding that there</p>	<p>1 Teague</p> <p>2 was a discussion and agreement internally at</p> <p>3 Barclays as to what the trade date would be for</p> <p>4 pricing, valuation, allocation purposes?</p> <p>5 A. There was some confusion as to what</p> <p>6 the trade date would be, as there was a lot of</p> <p>7 moving pieces going on at that point in time.</p> <p>8 Q. And the discussion of the moving</p> <p>9 pieces you're talking about, those are</p> <p>10 discussions within Barclays, or are you talking</p> <p>11 about discussions between Barclays and Lehman?</p> <p>12 A. Just in speaking with different</p> <p>13 managers, I wasn't quite sure what the proper</p> <p>14 date was. It was just everyone aligning to</p> <p>15 what, you know, what date would be the -- the</p> <p>16 date for the transfer.</p> <p>17 The assets themselves, there was</p> <p>18 questions over what was coming over, how much</p> <p>19 was coming over, what the settlement date was,</p> <p>20 how to do this. I mean, as a firm, we had never</p> <p>21 been through an acquisition of a firm probably</p> <p>22 four times our size before, so there was quite a</p> <p>23 few questions that were coming up as -- as the</p> <p>24 acquisition was taking place.</p> <p>25 Q. When you say an acquisition of a firm</p>
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<p>1 Teague</p> <p>2 four times your size, what are you comparing,</p> <p>3 are you comparing Barclays Capital to Lehman</p> <p>4 Brothers, Inc.?</p> <p>5 A. Just Capital, yeah, not all of</p> <p>6 Barclays. But, you know, this was a large</p> <p>7 undertaking.</p> <p>8 Q. Because the acquisition was a fraction</p> <p>9 of the size of Barclays, PLC, correct?</p> <p>10 A. Barclays, PLC is much larger than</p> <p>11 Barclays Capital, yes.</p> <p>12 Q. Have you seen updated versions of this</p> <p>13 spreadsheet, the third page of Exhibit 801B,</p> <p>14 where the boxes have been filled in?</p> <p>15 A. Not that I'm aware.</p> <p>16 Q. I've handed you a document previously</p> <p>17 marked as Deposition Exhibit 808B. Take a</p> <p>18 moment to look at these three pages. Let me</p> <p>19 know when you're done. I'll ask you some</p> <p>20 questions.</p> <p>21 (Document review.)</p> <p>22 A. Okay.</p> <p>23 Q. If you look at the e-mail chain, it</p> <p>24 starts on the third page with an e-mail dated</p> <p>25 Monday, September 15. Do you see that?</p>	<p>1 Teague</p> <p>2 A. Uh-huh.</p> <p>3 Q. And the most recent e-mail is on the</p> <p>4 first page dated September 23. See that?</p> <p>5 A. Yes.</p> <p>6 Q. Going to the oldest e-mail, the last</p> <p>7 page, it's the e-mail from Paul Copson to</p> <p>8 several people and he's inquiring about</p> <p>9 additional price testing procedures. Do you see</p> <p>10 that?</p> <p>11 A. Yes.</p> <p>12 Q. And you understand that e-mail to be</p> <p>13 independent of the Lehman acquisition; this is</p> <p>14 just -- that was an e-mail that you sent in</p> <p>15 light of market conditions; is that right?</p> <p>16 A. Correct. This is in light of</p> <p>17 potential, yeah, disruption in the markets.</p> <p>18 Q. And then on the 15th itself, you</p> <p>19 respond to Copson, Morton, Nash and others about</p> <p>20 price testing procedures, correct?</p> <p>21 A. Yes, so what we were -- I believe at</p> <p>22 this point in time it was expected anytime --</p> <p>23 anytime a potential bankruptcy is expected, be</p> <p>24 it Lehman, be it Bear Stearns, be it WaMu, what</p> <p>25 we do is this analysis to clarify was on any</p>

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<p>1 Teague</p> <p>2 derivatives transactions that we have.</p> <p>3 So we didn't do a specific to Lehman</p> <p>4 in this analysis. This was an overall analysis</p> <p>5 of the price testing results as of midmonth to</p> <p>6 see where we were marked. So this was not --</p> <p>7 these results were not specific to Lehman.</p> <p>8 These were the results of the overall books as</p> <p>9 of the 15th of September since the markets were</p> <p>10 entering a free-fall.</p> <p>11 Q. And then when you turn to the first</p> <p>12 page of the exhibit, there's a reference,</p> <p>13 there's an e-mail from you in the middle of the</p> <p>14 page with a file embedded it, "Lehman</p> <p>15 Exposures/Status Tracking," do you see that?</p> <p>16 A. Yes.</p> <p>17 Q. So, again, these would be -- this is a</p> <p>18 list of exposures where Lehman is the</p> <p>19 counterparty to Barclays on transactions; is</p> <p>20 that what's being captured here?</p> <p>21 A. Yes. So this was to -- this was to</p> <p>22 determine if, again, in the case of bankruptcy,</p> <p>23 we do this every time there is a counterparty</p> <p>24 which is a potential risk of not, you know,</p> <p>25 paying as far as the -- any derivative</p>	<p>1 Teague</p> <p>2 transactions that you have if you're going to</p> <p>3 lose that counterparty and if you do analysis on</p> <p>4 your overall exposure.</p> <p>5 Q. All right. So this is not related to</p> <p>6 the valuation of the inventory that came over</p> <p>7 from Lehman to Barclays as part of the</p> <p>8 acquisition?</p> <p>9 A. Specific to any derivatives we had on</p> <p>10 the firm that were facing Lehman as a</p> <p>11 counterparty.</p> <p>12 (Deposition Exhibit 865, a document</p> <p>13 bearing Bates Nos. BCI-EX-(S)-00201234</p> <p>14 through 241, marked for identification, as</p> <p>15 of this date.)</p> <p>16 Q. Sir, I have placed before you a</p> <p>17 multi-page document marked Exhibit 865. It's a</p> <p>18 long e-mail chain. If you want to take a moment</p> <p>19 to review it and I'll ask you a few questions</p> <p>20 about it.</p> <p>21 (Document review.)</p> <p>22 A. Okay.</p> <p>23 Q. Starting with the back of the e-mail</p> <p>24 chain in Exhibit 865, that last e-mail is a</p> <p>25 Stephen Sell e-mail that we had seen as a</p>
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<p>1 Teague</p> <p>2 stand-alone previously, correct?</p> <p>3 A. Yes.</p> <p>4 Q. So, moving forward in time from that</p> <p>5 e-mail, if you'll turn to the page that has at</p> <p>6 the bottom the last four digits 1238, you there?</p> <p>7 A. Yes.</p> <p>8 Q. Top of the page there's an e-mail from</p> <p>9 Stephen Sell, Sunday, September 21, 2008, 9:08</p> <p>10 P.M.</p> <p>11 A. Yes.</p> <p>12 Q. He's providing an update and he's got</p> <p>13 two bullet points in that e-mail. Do you see</p> <p>14 those?</p> <p>15 A. Uh-huh.</p> <p>16 Q. Yes?</p> <p>17 You have to answer aloud.</p> <p>18 A. Yes, I see this.</p> <p>19 Q. In the second bullet point he says,</p> <p>20 "We have determined we have looks like</p> <p>21 approximately 3100 securities/CUSIPs not set up</p> <p>22 within our systems." Do you see that?</p> <p>23 A. Yes.</p> <p>24 Q. Do you understand that to mean that</p> <p>25 out of the total number of CUSIPs that were</p>	<p>1 Teague</p> <p>2 coming over, there were 3,100 securities and</p> <p>3 CUSIPs that were not already set up within the</p> <p>4 Barclays systems?</p> <p>5 A. Yes, that's how I interpret that.</p> <p>6 Q. So the rest of the securities and</p> <p>7 CUSIPs had some match on the Barclays system,</p> <p>8 that is, you already had a position with that</p> <p>9 CUSIP or security?</p> <p>10 A. Not a position.</p> <p>11 Q. Okay.</p> <p>12 A. The ability to book that asset. For</p> <p>13 equities, we were unable to book an asset if we</p> <p>14 didn't have the proper data in a system for it</p> <p>15 to understand the asset that was coming on. So</p> <p>16 it's not that we were holding these positions.</p> <p>17 Q. Was an analysis done of how many</p> <p>18 positions Barclays was holding that matched up</p> <p>19 with positions that it was acquiring?</p> <p>20 A. I can't speak to that.</p> <p>21 Q. Well, when you did your independent</p> <p>22 valuation of the securities that had come over,</p> <p>23 and in the case of many securities you made</p> <p>24 liquidity adjustments and other adjustments to</p> <p>25 come up with a valuation, did you look to see if</p>

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<p>1 Teague</p> <p>2 Barclays had other similar securities in its</p> <p>3 inventory that would also need to be valued</p> <p>4 consistently with the approach you were taking</p> <p>5 with the Lehman securities?</p> <p>6 A. Well, in situations where --</p> <p>7 Can you ask that question one more</p> <p>8 time?</p> <p>9 (Record read.)</p> <p>10 A. I did not. I would not have looked</p> <p>11 specifically at any securities that we had on</p> <p>12 where, especially as market-maker, we may have</p> <p>13 been marking assets to mid. If we had</p> <p>14 market-maker status in those situations, that</p> <p>15 would be different than whatever price you would</p> <p>16 be acquiring it at.</p> <p>17 Again, the analysis here was where</p> <p>18 something -- we were looking at the transaction</p> <p>19 in that stress marketplace to determine what the</p> <p>20 market value was.</p> <p>21 Q. Well, I need to understand that answer</p> <p>22 a little better then. The way the transaction</p> <p>23 occurred, you hadn't actually -- there hadn't</p> <p>24 been an auction of these securities in the open</p> <p>25 market, correct?</p>	<p>1 Teague</p> <p>2 A. Correct.</p> <p>3 Q. These securities were purchased as</p> <p>4 part of Barclays stepping into the shoes of the</p> <p>5 Fed on the Fed repo, correct?</p> <p>6 MR. HUME: Objection. Calls for</p> <p>7 speculation.</p> <p>8 Q. Is that your understanding of how</p> <p>9 these securities came over?</p> <p>10 A. Can you restate the question?</p> <p>11 Q. What is your understanding of how</p> <p>12 these securities came from Lehman to Barclays?</p> <p>13 A. In the acquisition of the repo</p> <p>14 collateral.</p> <p>15 Q. And it was repo collateral that had</p> <p>16 previously been pledged by Lehman to the Fed,</p> <p>17 correct?</p> <p>18 MR. HUME: Objection. Lacks</p> <p>19 foundation.</p> <p>20 A. Yes, it was the data -- it was the</p> <p>21 positions held in that DTC account.</p> <p>22 Q. As far as you know, there wasn't a</p> <p>23 CUSIP-by-CUSIP valuation that was done between</p> <p>24 Barclays and Lehman as part of the sale</p> <p>25 transaction, where they sat down and said I want</p>
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<p>1 Teague</p> <p>2 to buy this CUSIP for this much and this CUSIP</p> <p>3 for so much, right?</p> <p>4 A. No, not that I'm aware of.</p> <p>5 MR. HUME: Objection. Lacks</p> <p>6 foundation.</p> <p>7 Q. Not that you're aware of?</p> <p>8 A. Not that I'm aware of.</p> <p>9 Q. So you have to allocate values to the</p> <p>10 securities that have come over because there</p> <p>11 wasn't a trading ticket or a confirmation saying</p> <p>12 Barclays paid X dollars to buy the security,</p> <p>13 correct?</p> <p>14 A. That's correct.</p> <p>15 Q. In your valuation process were you</p> <p>16 effectively trying to recreate, given the market</p> <p>17 conditions of that week, what the price would</p> <p>18 have been if there had been an individual</p> <p>19 transaction on that security?</p> <p>20 A. We were trying to reflect the</p> <p>21 market -- we were reflecting the market bid. We</p> <p>22 were looking at it to reflect the market in a</p> <p>23 stressed scenario, which was the 22nd of</p> <p>24 September, correct.</p> <p>25 Q. So, in doing your valuation, you were</p>	<p>1 Teague</p> <p>2 trying to capture for those securities the</p> <p>3 stressful market conditions that existed on the</p> <p>4 22nd, correct?</p> <p>5 A. Trying to mark it to a market bid as</p> <p>6 of the 22nd of September.</p> <p>7 Q. And did you make any adjustments for</p> <p>8 the size of the positions?</p> <p>9 A. The majority of the haircuts were</p> <p>10 performed on a portfolio level, so I don't --</p> <p>11 apologies, I don't believe we had any specifics</p> <p>12 on the CUSIP level.</p> <p>13 Q. So you decided to, on a liquidity -- a</p> <p>14 liquidity adjustment that you would apply to an</p> <p>15 entire portfolio of similar securities?</p> <p>16 MR. HUME: Objection. Vague and</p> <p>17 ambiguous.</p> <p>18 Q. Is that right?</p> <p>19 A. The bid/offer was applied at a product</p> <p>20 level.</p> <p>21 Q. Not an individual CUSIP level?</p> <p>22 MR. HUME: Objection. Vague and</p> <p>23 ambiguous.</p> <p>24 A. No. For corporates, we priced them</p> <p>25 slightly differently, where they were to the</p>

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<p>1 Teague</p> <p>2 minimum of the available prices available from</p> <p>3 third-party vendors because we had a larger</p> <p>4 dataset of information.</p> <p>5 Q. And when you did this valuation</p> <p>6 exercise, you didn't look to see if you had</p> <p>7 other similar securities already in your</p> <p>8 inventory that you had valued at the last</p> <p>9 month-end, August 31, or that the traders had</p> <p>10 valued during the month of September?</p> <p>11 A. No, not that I recollect.</p> <p>12 Q. Was there a decision made not to look</p> <p>13 at that data?</p> <p>14 A. Not that I recollect.</p> <p>15 Q. Sitting here today do you have any</p> <p>16 idea as to what percentage or number of the</p> <p>17 CUSIPs that were acquired through the Lehman</p> <p>18 acquisition were CUSIPs for which Barclays</p> <p>19 already had positions preexisting in its</p> <p>20 inventory?</p> <p>21 A. I wouldn't know that information.</p> <p>22 Q. And then by dollar value of the</p> <p>23 securities, do you have that information?</p> <p>24 A. No, I wouldn't know that information.</p> <p>25 Q. Not something you have looked at all?</p>	<p>1 Teague</p> <p>2 A. Not that I'm aware of.</p> <p>3 Q. There were instances with some of</p> <p>4 these securities where you took a mid price and</p> <p>5 you made a mid to bid adjustment by applying a</p> <p>6 liquidity discount or a liquidity factor of some</p> <p>7 type, correct?</p> <p>8 A. That's correct.</p> <p>9 Q. Once you had determined what the</p> <p>10 appropriate liquidity factor should be for that</p> <p>11 product type, did you make any effort to apply a</p> <p>12 similar liquidity factor to other securities of</p> <p>13 a similar type that were in the Barclays</p> <p>14 inventory?</p> <p>15 A. Independent valuations was performed</p> <p>16 at month-end. We didn't do an independent</p> <p>17 valuation of the Barclays books as of September</p> <p>18 22. This analysis was done for a specific date</p> <p>19 underneath specific market conditions.</p> <p>20 Q. September 30 was month-end, correct?</p> <p>21 A. That's correct.</p> <p>22 Q. When you did the independent valuation</p> <p>23 for the entire Barclays inventory, both the</p> <p>24 Lehman-acquired inventory and the preexisting</p> <p>25 Barclays inventory, did you apply a similar</p>
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<p>1 Teague</p> <p>2 methodology to do a liquidity adjustment</p> <p>3 product-type-by-product-type?</p> <p>4 A. No, we did not perform that analysis.</p> <p>5 The dataset at that point in time was being</p> <p>6 marked to bid by the desks as opposed to taking</p> <p>7 in mid marks from vendor pricing, so the desk</p> <p>8 would be marking to bid.</p> <p>9 We would be looking at our own</p> <p>10 independent analysis of where the desk is</p> <p>11 marking to bid, and if deemed appropriate, we</p> <p>12 would take remarks. By the 30th, the market had</p> <p>13 started functioning again. It was hard to say</p> <p>14 if it was fully functioning, but as of the 22nd</p> <p>15 of September, the market was essentially frozen,</p> <p>16 as the Dow had dropped I believe something like</p> <p>17 800 points that day.</p> <p>18 Q. On the 22nd?</p> <p>19 A. Yes, something on or around the 22nd</p> <p>20 was a, quite a large market dislocation day,</p> <p>21 versus September 30, where there was more</p> <p>22 information from just say the government was now</p> <p>23 considering to help support the markets. As of</p> <p>24 that date, it was just basically essentially a</p> <p>25 market free-fall.</p>	<p>1 Teague</p> <p>2 Q. The market free-fall on the 22nd, did</p> <p>3 that get captured in the end-of-day pricing for</p> <p>4 the 22nd?</p> <p>5 A. I guess it depends on the asset type.</p> <p>6 Some assets may have improved as a flight to</p> <p>7 safety. Other assets may have gone down. Very</p> <p>8 illiquid assets would probably not have been</p> <p>9 dramatically affected, as they were already very</p> <p>10 illiquid assets.</p> <p>11 Q. So but pricing securities at the end</p> <p>12 of day on the 22nd would capture whatever effect</p> <p>13 market movements on the 22nd during the day on</p> <p>14 the 22nd had on the various markets, correct?</p> <p>15 A. Again, but it depends on the asset</p> <p>16 type. So it can go in either direction.</p> <p>17 Q. You just described as a day of huge</p> <p>18 dislocation and free-fall. So there were asset</p> <p>19 classes that were negatively impacted by price</p> <p>20 movements on the 22nd, correct?</p> <p>21 A. Yes.</p> <p>22 Q. But there were others that were</p> <p>23 positively impacted?</p> <p>24 A. Potentially, yes.</p> <p>25 Q. In all of the analyses that you have</p>

<p style="text-align: right;">Page 98</p> <p>1 Teague</p> <p>2 done at Barclays with respect to the Lehman</p> <p>3 valuation, are you aware of any valuations that</p> <p>4 were done by Barclays for the open of business</p> <p>5 on the 22nd as opposed to the end-of-day on the</p> <p>6 22nd?</p> <p>7 A. No, I am not aware of any, any attempt</p> <p>8 to perform analysis for open.</p> <p>9 Q. As part of the independent valuation</p> <p>10 work that you did, there were certain values</p> <p>11 that you and your team arrived at based on</p> <p>12 end-of-the-day 22nd values, correct?</p> <p>13 A. Yes.</p> <p>14 Q. There were other values that you</p> <p>15 arrived at based on September 30 values,</p> <p>16 correct?</p> <p>17 A. Yes.</p> <p>18 Q. And where you used September 30</p> <p>19 values, that would -- your valuation would</p> <p>20 incorporate movements in the price of a security</p> <p>21 in the functioning of the markets between the</p> <p>22 22nd and the 30th, correct?</p> <p>23 MR. HUME: Objection. Vague and</p> <p>24 ambiguous.</p> <p>25 A. I believe any analysis supported by</p>	<p style="text-align: right;">Page 99</p> <p>1 Teague</p> <p>2 PwC of positions valued closer to month-end were</p> <p>3 for positions where there was essentially no</p> <p>4 markets whatsoever and the dataset was in order</p> <p>5 to obtain I guess additional pricing discovery,</p> <p>6 if any.</p> <p>7 Q. Well --</p> <p>8 A. I believe, I mean, you can tell me, I</p> <p>9 mean, what asset classes was it again?</p> <p>10 Q. Any asset classes. I know there's</p> <p>11 some asset classes, I don't have them memorized,</p> <p>12 where -- you do know that there were some asset</p> <p>13 classes that were priced as of 30th of</p> <p>14 September, correct?</p> <p>15 MR. HUME: You mean on the final</p> <p>16 acquisition balance sheet? I don't think</p> <p>17 the question is clear.</p> <p>18 Q. On the final acquisition balance</p> <p>19 sheet, yes.</p> <p>20 A. Yes, I would have to look at the -- I</p> <p>21 would have to look at the asset classes. It</p> <p>22 was -- it is broken out in -- I did send out a</p> <p>23 memo discussing the valuations of the opening</p> <p>24 balance sheet. I would have to review that to</p> <p>25 see and speak to that.</p>
<p style="text-align: right;">Page 100</p> <p>1 Teague</p> <p>2 Q. And other than the end of day 22nd,</p> <p>3 September 30th, there was also a set of</p> <p>4 securities that were acquired by Barclays in</p> <p>5 connection with the Lehman acquisition that were</p> <p>6 valued as of December 22, correct?</p> <p>7 A. Yes.</p> <p>8 Q. Other than those data points, are</p> <p>9 there any other data points -- date points that</p> <p>10 were used for valuation purposes for the opening</p> <p>11 day acquisition balance sheet?</p> <p>12 A. Initial analysis for munis were</p> <p>13 performed as of the, I believe the 19th as,</p> <p>14 again, going back to there was confusion over</p> <p>15 what was the proper date to perform the</p> <p>16 analysis, and in the end, it was determined and</p> <p>17 agreed that it would have immaterial effect on</p> <p>18 the overall valuation results.</p> <p>19 PwC opined that they didn't really</p> <p>20 consider it affecting the pricing, as there</p> <p>21 hadn't been really an active market between the</p> <p>22 two dates.</p> <p>23 Q. On all securities or just the munis?</p> <p>24 A. On the munis, as that had been</p> <p>25 performed as of the 19th, that analysis.</p>	<p style="text-align: right;">Page 101</p> <p>1 Teague</p> <p>2 Q. Was it PwC that told Barclays as of</p> <p>3 what date to value these securities or was it</p> <p>4 Barclays telling PwC what its views were as to</p> <p>5 when these things should be valued?</p> <p>6 MR. HUME: Objection. Lack of</p> <p>7 foundation.</p> <p>8 A. Any decisions of that nature were</p> <p>9 outside of anything I was involved in. I mean,</p> <p>10 to be honest, I'm sure you have a chain of</p> <p>11 e-mails, I didn't quite know what date at first.</p> <p>12 There was a lot of uncertainty from my</p> <p>13 perspective. And then the final resulting date</p> <p>14 was the 22nd.</p> <p>15 Q. But I'm not saying you made the</p> <p>16 decision, but given --</p> <p>17 A. I understand.</p> <p>18 Q. -- where you were in the organization,</p> <p>19 who made the decision as to what date to pick,</p> <p>20 PwC or Barclays?</p> <p>21 MR. HUME: Objection. Lacks</p> <p>22 foundation.</p> <p>23 A. Again, I can't state because I</p> <p>24 wouldn't have been involved in those</p> <p>25 conversations to be able to speak to who -- who</p>

Page 102	Page 103
<p>1 Teague</p> <p>2 made the decision and how it was finally</p> <p>3 determined the 22nd.</p> <p>4 Q. You're not saying that PwC directed</p> <p>5 you to pick the 22nd, are you, sir?</p> <p>6 A. I would not say that, no. I mean, as</p> <p>7 you can see, there's e-mails where people are</p> <p>8 stating we should use the 22nd. Based on that</p> <p>9 e-mail traffic, I would have used the 22nd.</p> <p>10 Q. I've seen e-mail traffic between you</p> <p>11 and PwC on various issues. Other than the</p> <p>12 Lehman acquisition, have you routinely</p> <p>13 corresponded with PwC on other valuation issues?</p> <p>14 A. PwC is the auditor for the firm, so I</p> <p>15 do deal with PwC for any of the, say,</p> <p>16 semiannual, annual reporting.</p> <p>17 Q. And in connection with the Lehman</p> <p>18 acquisition, other than the e-mail traffic, were</p> <p>19 there any face-to-face meetings that you had</p> <p>20 with anyone from PwC?</p> <p>21 A. Yes, I would have walked through some</p> <p>22 of the analysis performed with members of PwC</p> <p>23 working for Rob MacGoey at the time.</p> <p>24 Q. Who were the key PwC individuals that</p> <p>25 you had sit-down meetings with?</p>	<p>1 Teague</p> <p>2 A. I can't recollect their name, but one</p> <p>3 of Rob MacGoey's directs was assigned as one of</p> <p>4 the go-to's that I dealt with.</p> <p>5 Q. Other than that direct report to Rob</p> <p>6 MacGoey, any other people in particular that</p> <p>7 were your main points of contact at PwC in</p> <p>8 connection with the Lehman acquisition account?</p> <p>9 A. Postally would probably have been Rob</p> <p>10 MacGoey.</p> <p>11 Q. The announcement of the acquisition</p> <p>12 accounting was done in February of 2009,</p> <p>13 correct?</p> <p>14 A. I'm not quite sure. That makes sense.</p> <p>15 Q. Just using that roughly as the period</p> <p>16 in time, have you had any discussions with PwC</p> <p>17 about the valuation and accounting for the</p> <p>18 Lehman acquisition anytime since February 2009</p> <p>19 to the present?</p> <p>20 A. Not that I can recollect, no.</p> <p>21 Q. Have you spoken with an individual by</p> <p>22 the name of Professor Pfleiderer?</p> <p>23 A. I believe there's been -- apologies.</p> <p>24 One moment. He's the -- can you refresh me as</p> <p>25 to who he is? I know he's done the -- I know he</p>
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<p>1 Teague</p> <p>2 was a part of the depositions, correct?</p> <p>3 Q. Well, you tell me. What does that</p> <p>4 name mean to you?</p> <p>5 A. I'm trying to think. If I've had --</p> <p>6 I've had -- I believe there's been e-mails</p> <p>7 involving the professor. I just don't think</p> <p>8 I've ever had any -- much in the way of</p> <p>9 conversation with him.</p> <p>10 Q. Do you remember as you sit here today</p> <p>11 a single conversation with Professor Pfleiderer?</p> <p>12 THE WITNESS: Can we take a break?</p> <p>13 Q. No, it's not a good time to take a</p> <p>14 break. I would like you to answer the question.</p> <p>15 A. If anything, it's just me trying to</p> <p>16 piece it all together. I may have been on calls</p> <p>17 with the professor, but I think any</p> <p>18 conversations have been more -- if there was any</p> <p>19 e-mail traffic where he may have been in the</p> <p>20 background, but no, I'm not quite sure, to be</p> <p>21 honest.</p> <p>22 Q. Just to get the best of your</p> <p>23 recollection as you sit here, you don't have a</p> <p>24 specific recollection of any e-mail traffic with</p> <p>25 Professor Pfleiderer, do you, sir?</p>	<p>1 Teague</p> <p>2 A. No, I do not.</p> <p>3 Q. And do you have specific recollections</p> <p>4 of a conversation you've had with Professor</p> <p>5 Pfleiderer?</p> <p>6 A. No, I do not.</p> <p>7 Q. The two individuals that are sitting</p> <p>8 on your side of your table, do you know who they</p> <p>9 are?</p> <p>10 A. Yes. You mean Marc?</p> <p>11 Q. Marc?</p> <p>12 A. Yes. I've had quite a few</p> <p>13 conversations with Marc.</p> <p>14 Q. Okay. When was the first time you had</p> <p>15 a conversation with Marc Vellrath?</p> <p>16 A. Quite some time ago. Sometime last</p> <p>17 year, I take it.</p> <p>18 Q. And I take it from your answer you've</p> <p>19 had face-to-face meetings with Mr. Vellrath?</p> <p>20 A. Yes, I've met -- I've discussed and</p> <p>21 we've -- yes, we've met in the past.</p> <p>22 Q. Okay. And approximately how many</p> <p>23 meetings have you had with Mr. Vellrath?</p> <p>24 A. I couldn't say, to be honest. Less</p> <p>25 than a handful.</p>

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<p>1 Teague</p> <p>2 Q. Less than six meetings?</p> <p>3 A. Yes. We've been on phone calls, but</p> <p>4 face-to-face, just handful times.</p> <p>5 Q. And have you discussed documents with</p> <p>6 Mr. Vellrath?</p> <p>7 A. Yes.</p> <p>8 Q. And you've discussed your analyses and</p> <p>9 your valuations with Mr. Vellrath?</p> <p>10 A. Yes, I've provided replies to requests</p> <p>11 from the movants or questions that came out of</p> <p>12 the movants.</p> <p>13 Q. I'm not sure I follow the last answer.</p> <p>14 You provided --</p> <p>15 A. Is it the movants? Is that the</p> <p>16 proper way to say it?</p> <p>17 MR. HUME: Movants.</p> <p>18 Q. Movants.</p> <p>19 A. Apologies. To the movants.</p> <p>20 Q. So you have looked at documents filed</p> <p>21 by the movants and you have discussed responses</p> <p>22 with Mr. Vellrath?</p> <p>23 A. Yes.</p> <p>24 Q. Have you drafted documents for Mr.</p> <p>25 Vellrath, answers, descriptions?</p>	<p>1 Teague</p> <p>2 A. I've given a summary from my</p> <p>3 perspective of, you know, how I would -- how I</p> <p>4 saw the question at hand and, you know, if it</p> <p>5 was relevant at all from my viewpoint. I think</p> <p>6 there is, of course, going to be some issues</p> <p>7 between how we're valuing something or how the</p> <p>8 movants would be valuing something and help</p> <p>9 provide additional clarity.</p> <p>10 Q. When you provided your responses or</p> <p>11 input to Mr. Vellrath, did you do that orally or</p> <p>12 by e-mail?</p> <p>13 A. A combination thereof.</p> <p>14 Q. So there will be some amount of e-mail</p> <p>15 traffic where you provided that information?</p> <p>16 A. Yes.</p> <p>17 Q. Have you drafted any affidavits,</p> <p>18 declarations, things like that?</p> <p>19 A. No.</p> <p>20 Q. Have you reviewed drafts of affidavits</p> <p>21 and declarations?</p> <p>22 A. Not that I'm aware of.</p> <p>23 Q. Other than Mr. Vellrath, have you</p> <p>24 spoken with members of his staff that you</p> <p>25 recall?</p>
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<p>1 Teague</p> <p>2 A. Not that I recall. Could have been on</p> <p>3 conference calls, but not that I recall.</p> <p>4 Q. And other than Mr. Vellrath and maybe</p> <p>5 some of his staff who may have been on</p> <p>6 conference calls, what other people -- were</p> <p>7 there any other people who attended those</p> <p>8 conference calls?</p> <p>9 A. Just members of the legal team, if at</p> <p>10 all.</p> <p>11 Q. In preparation for your deposition,</p> <p>12 did you review deposition transcripts provided</p> <p>13 by anyone else in this case?</p> <p>14 A. The only depositions I reviewed were</p> <p>15 the ones for the movants.</p> <p>16 Q. Do you remember any of the names of</p> <p>17 the people or descriptions of their titles?</p> <p>18 A. The professor was one of them.</p> <p>19 Q. Professor Pfleiderer?</p> <p>20 A. Yes.</p> <p>21 Q. He's actually on your side.</p> <p>22 A. He's on my side, I know, but I don't</p> <p>23 think I've ever spoken to him. And the policies</p> <p>24 and for the asset classes that I covered, I</p> <p>25 reviewed the -- you know, the replies from the</p>	<p>1 Teague</p> <p>2 movants on how we performed our analysis.</p> <p>3 Q. Did you review depositions or expert</p> <p>4 reports that were submitted by the movants</p> <p>5 valuing the securities that your group had</p> <p>6 valued?</p> <p>7 A. Yes. And I provided replies to those,</p> <p>8 yes.</p> <p>9 Q. When you say you provided replies to</p> <p>10 those, were those in e-mail form?</p> <p>11 A. Combination thereof. E-mail and phone</p> <p>12 call.</p> <p>13 MR. TAMBE: I don't think any e-mails</p> <p>14 have been produced authored by this witness</p> <p>15 on any of those topics, so we would request</p> <p>16 that those documents be produced. They</p> <p>17 would have been called for by our</p> <p>18 outstanding discovery requests?</p> <p>19 MR. HUME: First, I don't think it's</p> <p>20 called for by your discovery requests, but</p> <p>21 more importantly, I think it's all work</p> <p>22 product.</p> <p>23 MR. TAMBE: I would disagree on that,</p> <p>24 but we'll have our request, our request</p> <p>25 outstanding.</p>

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<p>1 Teague</p> <p>2 Q. Did you meet with Mr. Vellrath to</p> <p>3 prepare for your deposition?</p> <p>4 A. Say again?</p> <p>5 Q. Did you meet with Mr. Vellrath to</p> <p>6 prepare for your deposition?</p> <p>7 A. No, I have not.</p> <p>8 Q. Now, there were other members of</p> <p>9 Barclays' PCG group who have been deposed in the</p> <p>10 last couple of weeks?</p> <p>11 A. Yes.</p> <p>12 Q. Mr. Landreman. Mr. Washtell.</p> <p>13 A. Yes.</p> <p>14 Q. Have you spoken with them about their</p> <p>15 depositions?</p> <p>16 A. Only to the point of they said "good</p> <p>17 luck."</p> <p>18 Q. But you didn't discuss substance,</p> <p>19 either of what they were going to testify to or</p> <p>20 had testified to or what you would be testifying</p> <p>21 to; is that right?</p> <p>22 A. No, I hadn't.</p> <p>23 Q. In your work on the Lehman acquisition</p> <p>24 and the reconciliation of the valuation, did you</p> <p>25 keep any kind of a notebook?</p>	<p>1 Teague</p> <p>2 A. No.</p> <p>3 Q. You don't keep notebooks as part of</p> <p>4 your day-to-day work at Barclays?</p> <p>5 A. No, I mean, if anything, a notebook is</p> <p>6 just my to-do list. I don't have anything as</p> <p>7 far as detailed notes.</p> <p>8 Q. Did you look through your file for</p> <p>9 notes relating to the Lehman acquisition?</p> <p>10 A. Essentially, it's, if anything, it was</p> <p>11 just looking at e-mails if there was anything.</p> <p>12 Q. As far as you know, other than your</p> <p>13 e-mails, you don't have any other notes</p> <p>14 specifically relating to the Lehman</p> <p>15 acquisition --</p> <p>16 A. No, I do not.</p> <p>17 Q. -- or valuation?</p> <p>18 A. No, I do not.</p> <p>19 (Deposition Exhibit 866, a document</p> <p>20 bearing Bates Nos. LBHI 017959 through 964,</p> <p>21 with attachment, marked for identification,</p> <p>22 as of this date.)</p> <p>23 A. Is there a specific page?</p> <p>24 Q. I have placed before you a document we</p> <p>25 have marked as 866. It's an e-mail chain and</p>
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<p>1 Teague</p> <p>2 there's a spreadsheet attached to it. I just</p> <p>3 want to draw your attention to the e-mail</p> <p>4 traffic. You're welcome to look at the</p> <p>5 spreadsheet as well. Let me know when you're</p> <p>6 done.</p> <p>7 (Document review.)</p> <p>8 A. Yes.</p> <p>9 Q. Starting with the e-mail chain with</p> <p>10 your e-mail on the second page of the exhibit,</p> <p>11 it carries over onto the third page of the</p> <p>12 exhibit, that's your e-mail to Clement Bernard,</p> <p>13 do you see that?</p> <p>14 A. Yes.</p> <p>15 Q. And you are raising with him some of</p> <p>16 the issues that you had run into into</p> <p>17 reconciling those eight backup spreadsheets that</p> <p>18 we discussed earlier, do you see that?</p> <p>19 A. Yes.</p> <p>20 Q. And Clement asked you to speak with</p> <p>21 either Kevin Horan or Mike McGarvey, do you see</p> <p>22 that?</p> <p>23 A. Yes.</p> <p>24 Q. And then on the first page of the</p> <p>25 exhibit you provide them with a phone number.</p>	<p>1 Teague</p> <p>2 Did you ever speak to Kevin or Mike on those</p> <p>3 issues that you had identified?</p> <p>4 A. On the weekend, no.</p> <p>5 Q. You did not?</p> <p>6 A. No.</p> <p>7 Q. Subsequent to that weekend, did you</p> <p>8 end up speaking to them?</p> <p>9 A. Yes. I don't recollect how this was</p> <p>10 resolved. I think we ended up moving forward on</p> <p>11 to the next step. Most of this, again, was just</p> <p>12 trying to get a better understanding of the</p> <p>13 assets that were coming on, and I'm -- at a</p> <p>14 future date, we moved past this on to a</p> <p>15 different set of spreadsheets that were</p> <p>16 considered I believe it was Schedule A and</p> <p>17 Schedule B, so then a lot of the work done here</p> <p>18 was kind of pushed aside to Schedule A and</p> <p>19 Schedule B, which is a new set of spreadsheets.</p> <p>20 Q. Did you do any work to compare</p> <p>21 Schedule A and Schedule B to these</p> <p>22 spreadsheets --</p> <p>23 A. Not --</p> <p>24 Q. -- or reference to 866?</p> <p>25 A. Not that I can recollect. It was, due</p>

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<p>1 Teague</p> <p>2 to the ever-changing environment of different</p> <p>3 people getting involved, it was more a, you</p> <p>4 know, let's move on to this, you know, this new</p> <p>5 spreadsheet.</p> <p>6 Q. In your e-mail to Kevin Horan and Mike</p> <p>7 McGarvey at the bottom of page 1, you state, "I</p> <p>8 believe the idea is to value the portfolio as of</p> <p>9 15 September since that is the legal close</p> <p>10 date." Do you see that?</p> <p>11 A. Yes.</p> <p>12 Q. What was the basis for your</p> <p>13 understanding that September 15 was the legal</p> <p>14 close date?</p> <p>15 A. As per the e-mail, I said "I believe</p> <p>16 the idea" because I wasn't quite sure. So,</p> <p>17 again, any reference to that being the legal</p> <p>18 close date, I wasn't quite sure what the legal</p> <p>19 close date would have been.</p> <p>20 I think the 15th was when Lehman</p> <p>21 initially -- the initial analysis was done for</p> <p>22 Lehman on the 15th for the derivatives, so I</p> <p>23 thought that might be the same date.</p> <p>24 Q. Okay. And you'll see in the two</p> <p>25 e-mails on page 1 in your e-mail to Kevin Horan</p>	<p>1 Teague</p> <p>2 and Michael McGarvey, the subject line reads</p> <p>3 "LBI Inventory 9-16-08." Do you see that?</p> <p>4 A. Yes.</p> <p>5 Q. And then on top of the page, you've</p> <p>6 got a different subject line, "LBI Inventory</p> <p>7 9-19-08 (repo)," do you see that?</p> <p>8 A. Yes.</p> <p>9 Q. And again, do you have a recollection</p> <p>10 of having done any kind of a valuation or</p> <p>11 reconciliation analysis on two different</p> <p>12 populations of transactions during that week,</p> <p>13 the 9/16 inventory and the 9/19 inventory?</p> <p>14 A. No, I do not.</p> <p>15 Q. And are you aware of anyone else at</p> <p>16 Barclays having done any such analysis?</p> <p>17 A. Not that I'm aware of.</p> <p>18 Apologies. There is no -- it appears</p> <p>19 there would be no -- there's no attachment for</p> <p>20 the first e-mail. That attachment would be all</p> <p>21 the way down in the later e-mails the way I'm</p> <p>22 looking at it. Appears so.</p> <p>23 Q. You're looking for a spreadsheet of</p> <p>24 the 9/19 inventory, is that what you're looking</p> <p>25 for?</p>
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<p>1 Teague</p> <p>2 A. Yes, I didn't know if there was</p> <p>3 multiple attachments.</p> <p>4 Q. Okay.</p> <p>5 (Deposition Exhibit 867, a document</p> <p>6 bearing Bates Nos. BCI-EX-(S)-00201262</p> <p>7 through 263, with attachment, marked for</p> <p>8 identification, as of this date.)</p> <p>9 Q. I've handed you an exhibit marked</p> <p>10 Deposition Exhibit 867. It's a cover e-mail and</p> <p>11 then an attached spreadsheet. If you could take</p> <p>12 a look at that, let me know when you're done,</p> <p>13 and I'll ask you some questions.</p> <p>14 (Document review.)</p> <p>15 A. Yes. Yes.</p> <p>16 Q. At the bottom of the e-mail, you send</p> <p>17 a spreadsheet to an address that's listed as</p> <p>18 GFNY Price Test, do you see that?</p> <p>19 A. Yes.</p> <p>20 Q. What does the "GFNY" stand for?</p> <p>21 A. Global Finance New York Price Testing.</p> <p>22 Q. So that would be part of -- that's</p> <p>23 part of the Product Control group?</p> <p>24 A. That's part of IVC.</p> <p>25 Q. That's part of IVC, okay.</p>	<p>1 Teague</p> <p>2 And you get a response back from Kevin</p> <p>3 Jhea asking you what date, and you respond in</p> <p>4 your e-mail, "As per Phil Nash, assets were</p> <p>5 acquired using BoNY prices which I have heard on</p> <p>6 Thursday close, as well as being generally</p> <p>7 inaccurate. We need to test against our</p> <p>8 acquisition date which is first thing Monday</p> <p>9 which equals to Friday close (test the execution</p> <p>10 price reasonableness as of Friday close)." Do</p> <p>11 you see that?</p> <p>12 A. Uh-huh.</p> <p>13 Q. Yes?</p> <p>14 A. Yes.</p> <p>15 Q. You did do an analysis of the</p> <p>16 valuation as of the Friday close, correct?</p> <p>17 A. Correct.</p> <p>18 Q. And at some subsequent date, you did</p> <p>19 another analysis as of the Monday close,</p> <p>20 correct?</p> <p>21 A. Correct.</p> <p>22 Q. Did you prepare a comparison table or</p> <p>23 a spreadsheet that set out all of your</p> <p>24 calculations as of the Friday close and compare</p> <p>25 it to your calculations as of the Monday close?</p>

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<p>1 Teague</p> <p>2 A. It's all in the spreadsheet. Both of</p> <p>3 those are in the spreadsheet.</p> <p>4 Q. Both of those are in the spreadsheet?</p> <p>5 A. Correct.</p> <p>6 Q. Do you understand the reference to</p> <p>7 "execution price reasonableness," "test the</p> <p>8 execution price reasonableness as of Friday</p> <p>9 close"? What was that a reference to?</p> <p>10 A. I don't know what Phil was talking</p> <p>11 about, to be honest. I think he's just trying</p> <p>12 to determine what the -- perform an independent</p> <p>13 valuation as of, you know, the first thing</p> <p>14 Monday morning is the gist of it. As far as</p> <p>15 what the close, I wasn't quite sure, so I didn't</p> <p>16 reword his -- his e-mail.</p> <p>17 Q. Okay. I'm handing an original exhibit</p> <p>18 that was previously marked as Exhibit 641A, and</p> <p>19 I'm handing you the original just because</p> <p>20 photocopying of that document you tend to lose a</p> <p>21 little bit of the legibility, so that should be</p> <p>22 easier for you to read. It also references a</p> <p>23 bunch of spreadsheets and we'll put those up in</p> <p>24 the screen, but just in terms of the basics, you</p> <p>25 recognize the cover of Exhibit 641 as an e-mail</p>	<p>1 Teague</p> <p>2 from you to Tal Litvin, do you see that?</p> <p>3 A. Yes.</p> <p>4 Q. And who is Tal Litvin?</p> <p>5 A. I have -- I don't recollect where he</p> <p>6 fits in. He's part of Product Control.</p> <p>7 Q. But he asked for schedules and you</p> <p>8 provided those schedules to him?</p> <p>9 A. Correct.</p> <p>10 Q. Okay.</p> <p>11 A. I think he's part of the COO team. So</p> <p>12 he would be basically reporting to Phil Nash.</p> <p>13 Q. Right behind page 1 of this document</p> <p>14 is what appears to be a memo.</p> <p>15 A. Yes.</p> <p>16 Q. Do you see that? And it has a number</p> <p>17 at the bottom that ends in 991, correct?</p> <p>18 A. Yes.</p> <p>19 Q. And that's a document that you</p> <p>20 prepared?</p> <p>21 A. Yes.</p> <p>22 Q. And that's a document you prepared at</p> <p>23 the end of your valuation process to summarize</p> <p>24 what you had done?</p> <p>25 A. That's correct. Not just to summarize</p>
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<p>1 Teague</p> <p>2 what I had done, what was performed for the</p> <p>3 overall valuation.</p> <p>4 Q. Okay. So your memo covers not just</p> <p>5 the work that you personally did, but that</p> <p>6 others may have done as part of the overall</p> <p>7 valuation process; is that right?</p> <p>8 A. From a very high level perspective</p> <p>9 if -- if it was included in the spreadsheets,</p> <p>10 then, yes, it was a guide.</p> <p>11 Q. And then when you turn further in this</p> <p>12 exhibit to the tabs, you'll see there's a</p> <p>13 placeholder tab that references a document and</p> <p>14 then there's a printout that follows that, which</p> <p>15 is the printout of a spreadsheet that's</p> <p>16 referenced. And these are all produced in</p> <p>17 native format, which is why it's broken out.</p> <p>18 These are all spreadsheets that you're</p> <p>19 familiar with, generally, sir?</p> <p>20 A. Before I say "yes," let me look at the</p> <p>21 stack.</p> <p>22 (Document review.)</p> <p>23 A. So this is probably JPMorgan.</p> <p>24 Q. Why don't you take a moment and flip</p> <p>25 through it, and then once you're done, I'll ask</p>	<p>1 Teague</p> <p>2 you questions so we can get oriented as to</p> <p>3 what's in this document.</p> <p>4 (Document review.)</p> <p>5 A. Okay.</p> <p>6 Q. So the question is, are you generally</p> <p>7 familiar with all of these spreadsheets, sir?</p> <p>8 A. Yes.</p> <p>9 Q. And these are the spreadsheets that</p> <p>10 set out the valuation of the trading assets</p> <p>11 acquired as part of the Lehman acquisition; is</p> <p>12 that right?</p> <p>13 A. Yes.</p> <p>14 Q. If you turn in your exhibit to a tab</p> <p>15 that reads BCI-EX ending in 996?</p> <p>16 A. To where the -- okay.</p> <p>17 Q. You have it?</p> <p>18 MR. HUME: I don't have it.</p> <p>19 Okay, I see it.</p> <p>20 MR. TAMBE: You can look over what the</p> <p>21 witness has.</p> <p>22 Q. If you just turn behind that tab, the</p> <p>23 first page behind that tab. If we can just pull</p> <p>24 up this document on the overhead projector.</p> <p>25 A. It's saying 00213996?</p>

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<p>1 Teague</p> <p>2 Q. Yes, and it says Liquidity tab.</p> <p>3 A. Mine says, "Sheet 2."</p> <p>4 Q. You should find one that says</p> <p>5 Liquidity tab. It's a tab with a spreadsheet</p> <p>6 that's located at that number. We'll put up the</p> <p>7 spreadsheet. That may be the easiest way of</p> <p>8 doing it. It's about 20 pages past where you</p> <p>9 were.</p> <p>10 A. Okay.</p> <p>11 MR. HUME: It's 996?</p> <p>12 MR. TAMBE: It's 996. It's 213996,</p> <p>13 Liquidity tab. There's a series of tabs in</p> <p>14 that spreadsheet. This is the printout of</p> <p>15 the Liquidity tab.</p> <p>16 Q. The question is a basic one. The</p> <p>17 Liquidity tab that appears in these</p> <p>18 spreadsheets, that's used as a grid or that's a</p> <p>19 cross-reference for purposes of making liquidity</p> <p>20 adjustments by product type; is that right?</p> <p>21 A. Yes.</p> <p>22 Q. And the "Liquidity Haircut" column</p> <p>23 that is shown on this tab, the individual</p> <p>24 liquidity haircuts there are expressed as a</p> <p>25 percentage, 1 being 100 percent and anything</p>	<p>1 Teague</p> <p>2 less than 1 being less than 100 percent, right?</p> <p>3 A. Correct.</p> <p>4 Q. There was a methodology or an approach</p> <p>5 you followed to determine what the liquidity</p> <p>6 haircut would be for each product type; is that</p> <p>7 right?</p> <p>8 A. That's correct.</p> <p>9 Q. And which of these liquidity haircuts</p> <p>10 were you personally responsible for developing</p> <p>11 or deriving?</p> <p>12 A. I would have been involved in the --</p> <p>13 for the Rates, say Treasuries, agencies, munis,</p> <p>14 corps. The next piece I think was all Rich</p> <p>15 Landreman: Sovereigns, corporate credit, EM</p> <p>16 Corp., EM. And then from there down would be</p> <p>17 Mark Washtell for the Equities, and PMTG would</p> <p>18 have been Rich Landreman. And I may have, but I</p> <p>19 don't recollect, for the CDO mezz and CDO</p> <p>20 senior.</p> <p>21 Q. So we've pulled up on the screen --</p> <p>22 A. CLS.</p> <p>23 Q. We have pulled up on the screen that</p> <p>24 tab.</p> <p>25 A. Yes.</p>
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<p>1 Teague</p> <p>2 Q. Just for purposes of the record, we</p> <p>3 can just read in the row numbers.</p> <p>4 A. Certainly.</p> <p>5 Q. So if we can just scroll down the rows</p> <p>6 until we get to Rates, if they're there.</p> <p>7 A. You have to scroll back up.</p> <p>8 Q. So, starting with row 35, it says</p> <p>9 Rates, Treasuries. That would have been</p> <p>10 something you covered?</p> <p>11 A. Yes, I would have been involved in row</p> <p>12 35, 36, 37, 38 and then jump down to 44, 45, 46,</p> <p>13 47.</p> <p>14 Q. Are there any other liquidity haircuts</p> <p>15 that you calculated that don't appear on this</p> <p>16 table?</p> <p>17 A. On the PMTG tab?</p> <p>18 Q. Yes.</p> <p>19 A. I may have been involved in the -- you</p> <p>20 have to scroll down a bit -- the 62 and 63.</p> <p>21 Q. So 62 is PMTG and then CDO Mezz and</p> <p>22 CDO Senior?</p> <p>23 A. Yes.</p> <p>24 Q. Those two lines?</p> <p>25 A. And 66 and 67, which would be CLO Mezz</p>	<p>1 Teague</p> <p>2 and CLO Senior.</p> <p>3 Q. So, going back up into the Rates rows,</p> <p>4 38 was one of the first ones, just so we</p> <p>5 understand, row 35, this table says it's for</p> <p>6 Rates, Treasuries, the liquidity haircut, the</p> <p>7 entry is .999. So that's one-tenth of 1</p> <p>8 percent, that's the liquidity haircut?</p> <p>9 A. Correct.</p> <p>10 Q. And then for Rates, Agencies, there's</p> <p>11 a 5 percent liquidity haircut?</p> <p>12 A. That's correct.</p> <p>13 Q. And that's applied across the board to</p> <p>14 all products, all individual CUSIPs that are</p> <p>15 classified as Rates, Agencies; Is that right?</p> <p>16 A. Yes.</p> <p>17 Q. That methodology of deriving a</p> <p>18 liquidity haircut and applying it across all</p> <p>19 CUSIPs in a particular product type, have you</p> <p>20 ever done that before in your work at Barclays?</p> <p>21 A. Basically, the analysis was performed</p> <p>22 looking at third-party data, looking at yields.</p> <p>23 For the Treasuries what we did was, as a means</p> <p>24 in this marketplace, again, what we're looking</p> <p>25 at is a very distressed marketplace that was</p>

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<p>1 Teague</p> <p>2 outside of the normal market environment that</p> <p>3 one usually receives -- one usually sees this,</p> <p>4 you know, potential once-in-a-lifetime event,</p> <p>5 hopefully, resulted in us having to determine,</p> <p>6 using vendor data, what -- what type of haircut</p> <p>7 would be appropriate for marking all of the</p> <p>8 assets to bid.</p> <p>9 Q. Have you ever used that kind of a</p> <p>10 process before in your work at Barclays?</p> <p>11 A. I haven't been through a market</p> <p>12 environment of this in my life.</p> <p>13 Q. Putting aside the market environment,</p> <p>14 have you taken those kinds of liquidity haircuts</p> <p>15 and applied them across an entire class of</p> <p>16 securities?</p> <p>17 MR. HUME: Objection. Asked and</p> <p>18 answered.</p> <p>19 A. No, I have not. There would not have</p> <p>20 been a need. And again, this was -- this</p> <p>21 haircut was taken on vendor data, not on</p> <p>22 traders' marks. So it would be marked to bid.</p> <p>23 So that would be a mid to bid, not looking at a</p> <p>24 bid already marked by the traders.</p> <p>25 Q. For Rates, Corporate, you have a</p>	<p>1 Teague</p> <p>2 comment that reads, "Lowest third-party price</p> <p>3 utilized in place of V-O." Do you see that?</p> <p>4 A. Yes.</p> <p>5 Q. And so there you did not do a</p> <p>6 liquidity adjustment, but if you had multiple</p> <p>7 third-party prices, you'd pick the lowest price</p> <p>8 as the price you would apply, correct?</p> <p>9 A. That's correct.</p> <p>10 Q. Is that an approach that you have used</p> <p>11 previously in your work at Barclays?</p> <p>12 A. No, I have not used that approach</p> <p>13 before.</p> <p>14 Q. When you go down to rows 45 and 46,</p> <p>15 there, too, you have comments, a similar</p> <p>16 comment, "Minimum third-party price utilized in</p> <p>17 place of V-O." Do you see that?</p> <p>18 A. Yes.</p> <p>19 Q. And again, there you didn't apply a</p> <p>20 percentage liquidity haircut; you took the</p> <p>21 lowest third-party price that you had obtained;</p> <p>22 is that right?</p> <p>23 A. Yes, that was the methodology we chose</p> <p>24 to use.</p> <p>25 Q. And that's not a methodology that you</p>
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<p>1 Teague</p> <p>2 have used previously at Barclays, correct?</p> <p>3 A. No. Based on the market environment</p> <p>4 that we were looking at, Corporates as an asset</p> <p>5 class have quite a few vendor sources. Some</p> <p>6 other asset classes may not have as robust</p> <p>7 third-party data.</p> <p>8 The question with the Corporates was,</p> <p>9 in looking at all this vendor data, how much of</p> <p>10 this vendor data is stale as the market was</p> <p>11 dropping considerably day over day. So the</p> <p>12 overall theme is, in short, whoever is marked</p> <p>13 the lowest is the best reflection of the</p> <p>14 marketplace.</p> <p>15 If the majority of the positions are</p> <p>16 going in one direction, why would you take an</p> <p>17 average and take a bid/offer against the</p> <p>18 average? Because we have, again, for this asset</p> <p>19 class, we have multiple vendors. So now we have</p> <p>20 a lot of data points to look at and with a lot,</p> <p>21 you know, the issue with the vendors is a lot of</p> <p>22 times the vendors call up, will talk to say a</p> <p>23 broker, a dealer and ask where something is</p> <p>24 priced and that's where they'll mark it.</p> <p>25 It's an indicative price. It's not a</p>	<p>1 Teague</p> <p>2 clearing price. If the trader is not seeing any</p> <p>3 transactions, that trader may actually refer</p> <p>4 back to just say the vendor with the same price</p> <p>5 they had yesterday, the day before, the day</p> <p>6 before that in a free-falling market. So</p> <p>7 whichever vendor has the best data is most</p> <p>8 likely the vendor with the lowest price because</p> <p>9 that means they're actually getting updated</p> <p>10 information.</p> <p>11 Q. Did you actually do that? When you</p> <p>12 had multiple prices from vendors, did you go</p> <p>13 back to the vendors and say what's this based</p> <p>14 on? Do you have more current data? Why are you</p> <p>15 using this price? Or did you simply look at the</p> <p>16 price quoted and pick the lowest one?</p> <p>17 A. We went with the lowest price because</p> <p>18 I know how the vendors operate. I know how</p> <p>19 they're -- they're pricing. They're obtaining</p> <p>20 their pricing. If they're obtaining their</p> <p>21 pricing through -- they either price by calling</p> <p>22 and getting information or through -- they can</p> <p>23 also price through a model, but in a</p> <p>24 free-falling market, what you end up having is a</p> <p>25 lot of very stale prices, prices that reflect</p>

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<p>1 Teague</p> <p>2 what the price was two, three, five days ago,</p> <p>3 ten days ago.</p> <p>4 Q. Did you do that, where you had say</p> <p>5 three prices and one is at -- say the three</p> <p>6 prices are 10, 5 and 1. Under your test for</p> <p>7 corporate rates, you would have used 1 as the</p> <p>8 lowest of the three prices, correct?</p> <p>9 A. Yes.</p> <p>10 Q. Okay. You would not have gone back to</p> <p>11 the vendor who quoted the 5 and seen what that</p> <p>12 vendor had quoted yesterday or the day before or</p> <p>13 the day before that, correct? You assumed that</p> <p>14 it was a stale price?</p> <p>15 A. Yes, I assumed it was a stale price</p> <p>16 based on the fact that there was quite a few</p> <p>17 stale prices in the marketplace without having</p> <p>18 to --</p> <p>19 Q. And you wouldn't have had --</p> <p>20 MR. HUME: Object to form.</p> <p>21 A. -- without going into the specifics, I</p> <p>22 have the 19th and I have the 22nd's, you know,</p> <p>23 third-party data.</p> <p>24 Q. Did you do that? Did you, for</p> <p>25 purposes of applying this test, lowest</p>	<p>1 Teague</p> <p>2 third-party price utilized, look at how the same</p> <p>3 vendor had quoted a particular security on the</p> <p>4 19th and then on the 22nd, and based on that</p> <p>5 make a determination, well, this is clearly a</p> <p>6 stale price versus here's another price that has</p> <p>7 been updated, therefore, it must be superior?</p> <p>8 Did you do that analysis?</p> <p>9 MR. HUME: Objection. Objection,</p> <p>10 vague. Are you asking whether he did it on</p> <p>11 every security?</p> <p>12 Q. On any of them.</p> <p>13 A. No, it wasn't done on a security</p> <p>14 basis.</p> <p>15 Q. Was it done on any basis?</p> <p>16 A. We did a review to see if, you know,</p> <p>17 what price movement. There wasn't a dramatic</p> <p>18 price movement between the two dates, and we</p> <p>19 went with the lowest price that was available.</p> <p>20 Q. So if corporate rates in general as a</p> <p>21 category had moved, you went for the lowest</p> <p>22 price; is that what you're telling me?</p> <p>23 A. Yes. As a category, there was</p> <p>24 dramatic free-fall in the corporates that, you</p> <p>25 know, we're not seeing reflected as a -- so we</p>
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<p>1 Teague</p> <p>2 went with the lowest prices out there because</p> <p>3 that being the logic that that would be the best</p> <p>4 reflection of the marketplace if you were</p> <p>5 looking for a bid price.</p> <p>6 Q. You did the same thing on corporate</p> <p>7 credits and corporates; is that right?</p> <p>8 A. Yes. They're all essentially</p> <p>9 corporates. It just had different titles for</p> <p>10 some reason.</p> <p>11 Keeping in mind most the vendor prices</p> <p>12 are mid, that's the other aspect of it, so a</p> <p>13 vendor price may not provide you a reflection of</p> <p>14 where the bid would be. It's an indicative</p> <p>15 level. It's a market level. It does not</p> <p>16 actively reflect it being a bid level.</p> <p>17 So taking that doesn't make us overly</p> <p>18 conservative. What we could be looking at there</p> <p>19 could even be an ask, that lowest price.</p> <p>20 Q. On any of these categories where you</p> <p>21 applied this rule, which is the lowest third</p> <p>22 price -- third-party price was the one utilized,</p> <p>23 did you look to see if Barclays traders had</p> <p>24 transacted on any similar securities on the 19th</p> <p>25 or the 22nd; and, if so, at what prices?</p>	<p>1 Teague</p> <p>2 A. I did not. I don't believe there was</p> <p>3 any trading activity going on really at that</p> <p>4 point in time.</p> <p>5 Q. Well, did you do something to</p> <p>6 determine whether or not there was trading</p> <p>7 activity on any of these CUSIPs at that point in</p> <p>8 time?</p> <p>9 A. Not that I recollect.</p> <p>10 Q. If there had been trading activity on</p> <p>11 the 19th and 22nd in these CUSIPs by Barclays</p> <p>12 traders or other traders, that would be a</p> <p>13 relevant data point, correct?</p> <p>14 A. Correct.</p> <p>15 Q. It would be actual trade data,</p> <p>16 correct?</p> <p>17 A. If we look back at the valuations that</p> <p>18 was performed on 12/22, the TRACE data is -- is</p> <p>19 the overriding prior to any other third party,</p> <p>20 and the TRACE data did line up pretty well with</p> <p>21 all the lowest prices that we were looking at</p> <p>22 from the vendors.</p> <p>23 Q. So your last answer refers to the</p> <p>24 valuation you did on what you refer to as the</p> <p>25 JPM portfolio, correct?</p>

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<p>1 Teague</p> <p>2 A. Correct.</p> <p>3 Q. That's not an answer that applies to</p> <p>4 the initial inventory, correct?</p> <p>5 A. I'm just saying it aligned properly,</p> <p>6 so it had aligned, the TRACE prices had aligned,</p> <p>7 so I'll just leave it at that. So, no, this was</p> <p>8 a -- TRACE was not incorporated into this</p> <p>9 original Lehman opening balance sheet 9/22 data.</p> <p>10 MR. HUME: Did you say trade data or</p> <p>11 TRACE data?</p> <p>12 MR. TAMBE: TRACE.</p> <p>13 MR. HUME: TRACE data.</p> <p>14 MR. TAMBE: Let's break for lunch.</p> <p>15 Pick it up when we're done.</p> <p>16 (Luncheon Recess; Time Noted: 12:55</p> <p>17 P.M.)</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p>1 Teague</p> <p>2 AFTERNOON SESSION</p> <p>3 (Time Noted: 2:03 P.M.)</p> <p>4 SEAN TEAGUE, resumed and</p> <p>5 testified further as follows:</p> <p>6 EXAMINATION BY (Cont'd.)</p> <p>7 MR. TAMBE:</p> <p>8 Q. Sir, I've handed you a document</p> <p>9 previously marked as Deposition Exhibit 822. If</p> <p>10 you could take a moment just to review that</p> <p>11 e-mail chain and let me know when you're done.</p> <p>12 (Document review.)</p> <p>13 A. Okay.</p> <p>14 Q. If you start reviewing this e-mail</p> <p>15 chain from the back, the e-mail from Mark</p> <p>16 Washtell to you and Stephen Calick?</p> <p>17 A. Uh-huh.</p> <p>18 Q. Do you recognize that as an e-mail</p> <p>19 concerning the reconciliation of the LBI</p> <p>20 positions and the beginning of the IPV analysis;</p> <p>21 is that right?</p> <p>22 A. This is specific to Equities. I</p> <p>23 believe this is a separate file because it's</p> <p>24 "Rec of LBI trades to SOPHIS marks." So it's</p> <p>25 SOPHIS is a system for Equities. So this would</p>
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<p>1 Teague</p> <p>2 be outside of any of the larger files that I</p> <p>3 would have been looking at.</p> <p>4 Q. But this is part of the overall</p> <p>5 reconciliation on IPV process, but dedicated to</p> <p>6 Equities?</p> <p>7 A. Correct. So keep in mind, again, my</p> <p>8 analysis was on the rates and credits, Mark's</p> <p>9 was on equities, and Rich Landreman's would have</p> <p>10 been on the securitized products.</p> <p>11 Q. And the reason that you're included in</p> <p>12 this e-mail chain, is that because you're</p> <p>13 collecting data and the work that's being done</p> <p>14 by others as well in IPV?</p> <p>15 A. Yes, I was collating the data from</p> <p>16 Mark as well as Rich to put it in the final.</p> <p>17 Q. The first e-mail in the chain, so the</p> <p>18 most recent e-mail in the chain on page 1, is</p> <p>19 from Mark Washtell to Steven Calick and Eric</p> <p>20 Clark, do you see that?</p> <p>21 A. Yes.</p> <p>22 Q. And in the fourth paragraph, which</p> <p>23 begins, "We did not manage to catch Andrea," do</p> <p>24 you see that? It's on the first page of the</p> <p>25 exhibit.</p>	<p>1 Teague</p> <p>2 A. First page. Okay. Yes.</p> <p>3 Q. Do you know who that's a reference to,</p> <p>4 the Andrea who's mentioned in that e-mail in</p> <p>5 that paragraph?</p> <p>6 A. No, I do not.</p> <p>7 Q. And on the first paragraph there's a</p> <p>8 reference to a Nick Leyhane. Do you know who</p> <p>9 that is?</p> <p>10 A. No, I do not.</p> <p>11 Q. In this time period, the last two</p> <p>12 weeks of September, was there interaction</p> <p>13 between the independent -- between the IPV folks</p> <p>14 and traders on prices and values that were being</p> <p>15 ascribed by IPV?</p> <p>16 A. With the overall objective of</p> <p>17 obtaining the proper market value, there was</p> <p>18 discussions that would have happened, yes.</p> <p>19 Q. Okay.</p> <p>20 (Deposition Exhibit 868, a document</p> <p>21 bearing Bates Nos. BCI-EX-(S)-00207849</p> <p>22 through 850, with attachment, marked for</p> <p>23 identification, as of this date.)</p> <p>24 Q. I have placed before you a two-page</p> <p>25 document marked Exhibit 868. If you could take</p>

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<p>1 Teague</p> <p>2 a look at it. Let me know when you're done.</p> <p>3 I'll ask you a couple of questions.</p> <p>4 (Document review.)</p> <p>5 A. Yes.</p> <p>6 Q. And you recognize this as an e-mail</p> <p>7 chain that was discussing setting up some kind</p> <p>8 of a shared drive for exchanging information</p> <p>9 with people, do you see that?</p> <p>10 A. Yes.</p> <p>11 Q. Was that in fact done? Was there a</p> <p>12 shared drive for exchanging information?</p> <p>13 A. I don't recollect. I take it --</p> <p>14 there's a good chance, apologies, but no, I</p> <p>15 don't remember.</p> <p>16 Q. In your e-mail to Tom, it looks like</p> <p>17 Shashaty, which is on the first page?</p> <p>18 A. Yeah.</p> <p>19 Q. Do you see that? In your e-mail to</p> <p>20 Tom, you identify people from the Barclays side</p> <p>21 who would need access to the Lehman data, and</p> <p>22 then you make some recommendation as to who</p> <p>23 should be included from the Lehman side, do you</p> <p>24 see that?</p> <p>25 A. Yes.</p>	<p>1 Teague</p> <p>2 Q. Do you have any reason to believe that</p> <p>3 this shared drive or information-sharing process</p> <p>4 was not set up?</p> <p>5 A. No, no reason to believe it was not</p> <p>6 set up in the system. No reason to believe it</p> <p>7 did not happen. I just don't recollect the</p> <p>8 shared drive being set up.</p> <p>9 Q. The subject line on the e-mails on the</p> <p>10 first page read, Price testing -</p> <p>11 Converts/Equity/Preference"; is that right?</p> <p>12 A. It would be preferred eqs.</p> <p>13 Q. Any reason to believe that this shared</p> <p>14 drive was limited to price testing on just those</p> <p>15 products or whether this was a broader shared</p> <p>16 drive?</p> <p>17 A. If it were to have happened, I take it</p> <p>18 it would have been a broader shared drive.</p> <p>19 Q. I'd asked some specific questions</p> <p>20 about interactions with former Lehman as part of</p> <p>21 your work. Let me ask you a broader question.</p> <p>22 In general, did you have any</p> <p>23 conversations with Lehman traders in the course</p> <p>24 of your independent price valuation work for the</p> <p>25 acquisition balance sheet?</p>
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<p>1 Teague</p> <p>2 A. We might have touched base with a</p> <p>3 couple of traders just to get some</p> <p>4 understanding, but I believe that was far enough</p> <p>5 outside of the spectrum of when the analysis was</p> <p>6 done. If, like for this aspect, these were the,</p> <p>7 you know, this was the Barclays valuations that</p> <p>8 we were trying to reach out to I think the</p> <p>9 Lehman valuations individuals who -- that's</p> <p>10 Neeraj was on the Lehman valuations team -- to</p> <p>11 start working together.</p> <p>12 Q. And was Neeraj someone who had come</p> <p>13 over from Lehman to Barclays?</p> <p>14 A. As of that date, everyone had come</p> <p>15 over, as of the 26th of September. Neeraj was</p> <p>16 no -- by the end of 2008, I don't know what date</p> <p>17 Neeraj was no longer with the firm.</p> <p>18 Q. And do you know whether people like</p> <p>19 Neeraj, who were formerly with the Lehman</p> <p>20 valuation team, played any role in the</p> <p>21 valuations that Barclays came up with for the</p> <p>22 acquisition balance sheet?</p> <p>23 A. No, Neeraj didn't -- didn't play a</p> <p>24 role in the valuations process.</p> <p>25 Q. Did any other former Lehman valuation</p>	<p>1 Teague</p> <p>2 professionals play a role in that acquisition</p> <p>3 balance sheet valuation?</p> <p>4 A. No.</p> <p>5 Q. No?</p> <p>6 A. No.</p> <p>7 Q. So let's go into a document that's</p> <p>8 been marked previously. And I'll pull it up on</p> <p>9 the screen as well. I'm handing you the hard</p> <p>10 copy. I'm handing you what has been marked as</p> <p>11 Exhibit 86B. It's a printout from a</p> <p>12 spreadsheet. It's not the entire spreadsheet.</p> <p>13 And what I have pulled up on the screen is the</p> <p>14 native version of that document, that same</p> <p>15 spreadsheet.</p> <p>16 A. Okay.</p> <p>17 Q. Which has been marked as Movants'</p> <p>18 Trial Exhibit 102N, "N" for native.</p> <p>19 Looking at the hard copy, the paper</p> <p>20 document Exhibit 86B, is that a document you are</p> <p>21 generally familiar with?</p> <p>22 A. Yes, I am.</p> <p>23 Q. And do you recognize that as the</p> <p>24 valuation of the non-JPM assets?</p> <p>25 A. This would be the 9/22. So, yes,</p>

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<p>1 Teague</p> <p>2 these were the non-JPM assets.</p> <p>3 Q. What I'm going to do, if I'm able to</p> <p>4 navigate my way around the spreadsheet, is pull</p> <p>5 up in the native format what is the electronic</p> <p>6 version of that first page of the hard copy</p> <p>7 document which you're looking at.</p> <p>8 Can you just look at the numbers and</p> <p>9 confirm that that is in fact the same document?</p> <p>10 A. Yes, it appears to be the same</p> <p>11 document.</p> <p>12 Q. And just so we understand, then, your</p> <p>13 knowledge about the various columns starting</p> <p>14 with column B, that's the -- the dollar amounts</p> <p>15 that appear there, those are the notional</p> <p>16 amounts off the securities?</p> <p>17 A. Yes.</p> <p>18 Q. And what does that mean when you say</p> <p>19 they are the notional amounts of those</p> <p>20 securities?</p> <p>21 A. That would be the face value amounts</p> <p>22 of the securities themselves. So the notional</p> <p>23 times price times factor would come up with your</p> <p>24 market value.</p> <p>25 Q. The next column C, which is BoNY</p>	<p>1 Teague</p> <p>2 Value, what is that a reference to?</p> <p>3 A. That's the Bank of New York value that</p> <p>4 they attributed to the assets.</p> <p>5 Q. When you move over to column D, it</p> <p>6 says at the top "22-September" and then it says</p> <p>7 "PCG Value." What is that column?</p> <p>8 A. That's the independent valuation that</p> <p>9 was determined by Product Control.</p> <p>10 Q. And the 22 September indicates that</p> <p>11 that's a valuation as of end of day September</p> <p>12 22; is that right?</p> <p>13 A. That's correct, that would be the</p> <p>14 valuation used for September 22.</p> <p>15 Q. Would that include certain -- for</p> <p>16 certain securities valuations that were done as</p> <p>17 of September 30?</p> <p>18 A. As it was deemed there was no true</p> <p>19 difference between the 30th and 22nd, then there</p> <p>20 was still, yes, there would be a 30th in there,</p> <p>21 but there was no discernible material difference</p> <p>22 between the two valuations. So it was deemed</p> <p>23 appropriate still from December -- I mean,</p> <p>24 sorry, for September 22.</p> <p>25 Q. But my question was a very basic one,</p>
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<p>1 Teague</p> <p>2 which is, even though it says September 22,</p> <p>3 included in that column for certain CUSIPs are</p> <p>4 values that were actually calculated on</p> <p>5 September 30th. Your additional explanation is,</p> <p>6 well, those September 30th values are not that</p> <p>7 different from September 22. Is that fair?</p> <p>8 MR. HUME: Object to the form of the</p> <p>9 question, and objection, asked and answered.</p> <p>10 You may answer the question.</p> <p>11 Q. Is that a fair way of capturing what</p> <p>12 you just said? I'm just trying to understand</p> <p>13 what you said.</p> <p>14 A. We could go back and look at the</p> <p>15 Independent Valuation document where I</p> <p>16 summarized how the valuation was performed, but</p> <p>17 the data in there that was for September 30th,</p> <p>18 it was deemed to be no -- it wasn't deemed to be</p> <p>19 materially different than the 22nd because the</p> <p>20 markets for those illiquid assets hadn't really</p> <p>21 moved.</p> <p>22 Q. You said you had a summary of the</p> <p>23 methodology, and you're referring to the bound</p> <p>24 document Exhibit 641A.</p> <p>25 A. 641.</p>	<p>1 Teague</p> <p>2 Q. You're referring to that two-page,</p> <p>3 three-page memo at the front of that document;</p> <p>4 is that correct?</p> <p>5 A. That's correct.</p> <p>6 Q. What in particular were you referring</p> <p>7 to when you were talking about September 30th</p> <p>8 versus September 22?</p> <p>9 A. That would only cover, based on this,</p> <p>10 the last bullet point on 0213991 for the PMTG</p> <p>11 assets.</p> <p>12 Q. Okay. So and if I -- I just want to</p> <p>13 understand what it is that you are summarizing</p> <p>14 there on that last bullet point on the page that</p> <p>15 ends 991 in Exhibit 641A.</p> <p>16 This is an explanation that appears</p> <p>17 under the Illiquid Assets section of that memo,</p> <p>18 correct?</p> <p>19 A. That is correct.</p> <p>20 Q. And this particular bullet point</p> <p>21 reads, "Haircut due to liquidity issues.</p> <p>22 Following logic was devised to best capture</p> <p>23 market price," and then there are two</p> <p>24 sub-bullets, correct? Right?</p> <p>25 A. Correct.</p>

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<p>1 Teague</p> <p>2 Q. The first of the sub-bullet states,</p> <p>3 "Lehman assets which were sold (auctioned by the</p> <p>4 PMTG) prior to month-end are considered trades</p> <p>5 and therefore the traded price was applied with</p> <p>6 no haircut."</p> <p>7 In that sub-bullet, when you refer to</p> <p>8 assets which were sold, are you differentiating</p> <p>9 between assets that were sold outside of</p> <p>10 Barclays from assets that were sold internally</p> <p>11 within Barclays, or does that include assets</p> <p>12 which were sold both inside and outside?</p> <p>13 A. That includes -- this specifically was</p> <p>14 for assets that, in this case, were sold</p> <p>15 internally to another desk within Barclays. So</p> <p>16 the assets here were sold out to the PMTG desk.</p> <p>17 I believe, as you can see here, so the</p> <p>18 marks were used for where they were sold, the</p> <p>19 traded price, and if the security was not</p> <p>20 auctioned by September 30, the desk mark was</p> <p>21 used.</p> <p>22 Q. All right. And the sales, the</p> <p>23 internal sales that occurred, would have</p> <p>24 occurred after the 22nd of September, correct?</p> <p>25 A. That's correct.</p>	<p>1 Teague</p> <p>2 Q. So, nonetheless, the value for those</p> <p>3 securities that were sold after 22nd of</p> <p>4 September, internally sold within Barclays,</p> <p>5 would be captured and those trade prices would</p> <p>6 be reflected in column D on the spreadsheet</p> <p>7 we're looking at on 86B, correct?</p> <p>8 A. That is correct. And clarified by the</p> <p>9 Lehman opening balance sheet document would take</p> <p>10 those along with.</p> <p>11 Q. Is it the case that every time you</p> <p>12 have an internal sale of a security to a trading</p> <p>13 desk within Barclays you used the traded price</p> <p>14 as the acquisition date price for that asset?</p> <p>15 A. The only assets it was done for were</p> <p>16 the illiquid assets in the PMTG desk. Any</p> <p>17 trading activity that happened for the other</p> <p>18 assets post-acquisition was not part of the</p> <p>19 opening balance sheet price.</p> <p>20 Q. So but within the illiquid PMTG assets</p> <p>21 where you did follow this methodology, it was</p> <p>22 the case that every time there was an internal</p> <p>23 sale, that is the price you used, you used the</p> <p>24 internal sale price, or did you use some other</p> <p>25 price, even though there was an internal sale of</p>
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<p>1 Teague</p> <p>2 an illiquid PMTG asset?</p> <p>3 A. To the best of my knowledge, the sheet</p> <p>4 is broken out to show any trading activity, and</p> <p>5 that trading activity is then utilized in the --</p> <p>6 in the final value as represented on this page,</p> <p>7 summary page of the Excel spreadsheet.</p> <p>8 Q. As you sit here are you aware of any</p> <p>9 instances where IPV assigned a value to an asset</p> <p>10 that was sold internally by PMTG, assigned a</p> <p>11 value that was lower than the traded price?</p> <p>12 A. Can you restate the question?</p> <p>13 Q. Sure.</p> <p>14 (Record read.)</p> <p>15 A. I couldn't say off the top of my head.</p> <p>16 Q. Would you expect that to have</p> <p>17 happened, given your methodology?</p> <p>18 MR. HUME: Objection to the form.</p> <p>19 A. Without reviewing the numbers, I</p> <p>20 wouldn't care to guess. I'm not quite sure --</p> <p>21 I'm not quite sure where -- apologies -- where</p> <p>22 the question is going. I don't have the data in</p> <p>23 front of me to review it.</p> <p>24 Q. Well, if you go over to the PMTG tab</p> <p>25 in Exhibit 86B, that should capture</p>	<p>1 Teague</p> <p>2 CUSIP-by-CUSIP the valuation for each of those</p> <p>3 securities, correct?</p> <p>4 A. Correct.</p> <p>5 Q. And to the extent that any of the</p> <p>6 securities there were sold internally, that</p> <p>7 spreadsheet or that tab would indicate what</p> <p>8 price you had used for valuation purposes,</p> <p>9 correct?</p> <p>10 A. Correct.</p> <p>11 Q. Because those tabs all roll up into</p> <p>12 the Summary tab, correct?</p> <p>13 A. That's the case, yes.</p> <p>14 Q. So, I mean, at the risk of seeing if</p> <p>15 this works, let's try that. So I have gone into</p> <p>16 the PMTG tab of the same spreadsheet, 86B, which</p> <p>17 is Movants' 102 native.</p> <p>18 Where would it be indicated whether or</p> <p>19 not there was an internal sale of that security,</p> <p>20 taking any one of these lines?</p> <p>21 A. That column that you're in now.</p> <p>22 Q. Column AF?</p> <p>23 A. Yes.</p> <p>24 Q. It says "Market Value Sales"?</p> <p>25 A. Correct.</p>

<p style="text-align: right;">Page 150</p> <p>1 Teague</p> <p>2 Q. The fact that a number appears in that</p> <p>3 column, does that indicate to you that that's a</p> <p>4 security for which there has been a trade?</p> <p>5 A. Yes.</p> <p>6 Q. And what it indicates to you is that</p> <p>7 trade was an internal trade?</p> <p>8 A. It doesn't necessarily indicate that</p> <p>9 it was an internal trade. It indicates that it</p> <p>10 was a trade.</p> <p>11 Q. Okay. Is there some other part of</p> <p>12 this spreadsheet or another tab in this</p> <p>13 spreadsheet that differentiates internal trades</p> <p>14 from external trades?</p> <p>15 A. I do not have that information in this</p> <p>16 spreadsheet.</p> <p>17 Q. Do you know that from any other</p> <p>18 spreadsheet, whether there's a document that</p> <p>19 differentiates internal and external sales?</p> <p>20 A. I do not know.</p> <p>21 Q. Is it fair to say that for purposes of</p> <p>22 your analysis you treated internal and external</p> <p>23 sales, at least within this category, the PMTG</p> <p>24 category, as the same?</p> <p>25 MR. HUME: Objection. Lacks</p>	<p style="text-align: right;">Page 151</p> <p>1 Teague</p> <p>2 foundation. Isn't this -- well, go ahead.</p> <p>3 A. I mean, this is, you know, as per this</p> <p>4 spreadsheet, basically the thought process was</p> <p>5 we're looking at the most illiquid assets. Any</p> <p>6 trading activity was deemed to be the best</p> <p>7 indication of where an asset would clear, most</p> <p>8 important thing, right, when trying to determine</p> <p>9 a market price is to have a market, as the</p> <p>10 majority of the assets in this pool have no</p> <p>11 market, no discernible market, no discernible</p> <p>12 market data because the trade data -- I'm sorry,</p> <p>13 the trade's prior price was used as the level</p> <p>14 for which we independently valued the assets.</p> <p>15 Q. And following that methodology, you</p> <p>16 did not differentiate between internal sales</p> <p>17 within Barclays from external sales that were</p> <p>18 sales by Barclays to a third party?</p> <p>19 MR. HUME: Objection. Lacks</p> <p>20 foundation. These are Rich Landreman's</p> <p>21 assets, if I understand correctly, from the</p> <p>22 prior testimony.</p> <p>23 A. Yes.</p> <p>24 MR. HUME: I'm objecting as lack of</p> <p>25 foundation on that basis.</p>
<p style="text-align: right;">Page 152</p> <p>1 Teague</p> <p>2 MR. TAMBE: I would prefer if you just</p> <p>3 kept your objection to a legal basis as</p> <p>4 opposed to signaling to the witness what he</p> <p>5 might say in his answer.</p> <p>6 MR. HUME: I'm suggesting to you that</p> <p>7 your question lacks foundation.</p> <p>8 MR. TAMBE: If you want to explain</p> <p>9 something to me, you can do it outside the</p> <p>10 earshot of the witness, which would be more</p> <p>11 appropriate.</p> <p>12 Q. The next question I have is, is there</p> <p>13 any way for you to tell from looking at this</p> <p>14 spreadsheet whether the price that was</p> <p>15 ultimately used by Barclays IPV to value one of</p> <p>16 these CUSIPs is different from the price that</p> <p>17 was -- that appears in the "MV Sales" column or</p> <p>18 that is implied by the "MV Sales" column?</p> <p>19 A. If you go to your left, I could see.</p> <p>20 Q. Just tell me when to stop.</p> <p>21 A. You can stop there.</p> <p>22 Q. You're comparing column AA to column</p> <p>23 AE?</p> <p>24 A. Just one moment.</p> <p>25 So column AA will equal column AE.</p>	<p style="text-align: right;">Page 153</p> <p>1 Teague</p> <p>2 Column X was the original --</p> <p>3 Can you go to your left? Keep going.</p> <p>4 9/19. Pardon me. So column X was the market</p> <p>5 value originally put on those assets by Product</p> <p>6 control as a cross-reference to the pricing at</p> <p>7 which it was sold.</p> <p>8 Q. Okay. And so let's just look at the</p> <p>9 row that we're looking at right now, which is</p> <p>10 row 6 in the PMTG tab of 86B, and column T for</p> <p>11 that CUSIP row, which is row number 6, has a</p> <p>12 BoNY price of 73.04, correct?</p> <p>13 A. Yes.</p> <p>14 Q. Has a PCG price of 19.16?</p> <p>15 A. Yes.</p> <p>16 Q. Right?</p> <p>17 A. Correct.</p> <p>18 Q. Do you know where that PCG price is</p> <p>19 derived from?</p> <p>20 A. I would not be the proper person to</p> <p>21 question. That would be definitely Rich</p> <p>22 Landreman.</p> <p>23 Q. Column W is "BoNY Market Value, 9/19."</p> <p>24 Do you see that?</p> <p>25 A. Yes.</p>

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<p>1 Teague</p> <p>2 Q. And then that's simply using the BoNY</p> <p>3 price times the quantity?</p> <p>4 A. Yes.</p> <p>5 Q. Times a factor, if there's a factor?</p> <p>6 A. Correct.</p> <p>7 Q. Column X is the PCG market value using</p> <p>8 PCG price from column U, correct?</p> <p>9 A. Correct.</p> <p>10 Q. Then you have column Z, which does not</p> <p>11 have a heading.</p> <p>12 Column AA, which has a PMTG PX?</p> <p>13 A. Yes.</p> <p>14 Q. 9/30, correct?</p> <p>15 A. Correct.</p> <p>16 Q. For this particular row, that carries</p> <p>17 a value of 72, and if we go over to column AE,</p> <p>18 "Sale Price," that has a value of 72 for that</p> <p>19 particular security?</p> <p>20 A. Yes.</p> <p>21 Q. So, in that instance, would you say</p> <p>22 that what this calculation is showing is that</p> <p>23 the sale price is the price that was used for</p> <p>24 determining the value that rolls up into the</p> <p>25 acquisition balance sheet?</p>	<p>1 Teague</p> <p>2 A. That's correct. So the higher price</p> <p>3 assigned by the desk would have been the price</p> <p>4 assigned for the opening balance sheet.</p> <p>5 Q. Okay. And the question is, are you</p> <p>6 aware of any instances where a lower price was</p> <p>7 assigned, a price lower than the desk price, the</p> <p>8 traded price was used?</p> <p>9 A. The desk price would have been the</p> <p>10 price utilized for the opening balance sheet I</p> <p>11 believe in all situations.</p> <p>12 Q. Would it have been wrong to use a</p> <p>13 lower price than the desk price?</p> <p>14 A. I don't see why we would have. I</p> <p>15 mean, that's not how the spreadsheet is set up.</p> <p>16 The spreadsheet is set up to take the desk price</p> <p>17 for 9/30.</p> <p>18 Q. All right. Going back to 86B, the</p> <p>19 Summary tab, you've got PCG value of 42 -- I'm</p> <p>20 looking at row 14, column D. You've got a PCG</p> <p>21 value of 42.578 billion, do you see that?</p> <p>22 A. Yes.</p> <p>23 Q. But that number gets adjusted further,</p> <p>24 correct? To come up with the acquisition value</p> <p>25 for those assets?</p>
Page 156	Page 157
<p>1 Teague</p> <p>2 A. Yes.</p> <p>3 Q. And the further adjustment you make is</p> <p>4 you apply the liquidity calculation from column</p> <p>5 F; is that right?</p> <p>6 A. That's correct.</p> <p>7 Q. And so the final values that you</p> <p>8 derive for the non-JPM assets are row 14, column</p> <p>9 E, which is \$40.7 billion, correct?</p> <p>10 A. That's correct.</p> <p>11 Q. The liquidity value adjustments that</p> <p>12 are reflected on the summary sheet of 86B, just</p> <p>13 to confirm, those are derived by applying those</p> <p>14 liquidity factors that we had talked about in</p> <p>15 the morning?</p> <p>16 A. So each of the experts by the --</p> <p>17 within Independent Valuations, based on the</p> <p>18 asset class, would have performed analysis to</p> <p>19 determine appropriate bid/offer for which to</p> <p>20 capture bid for the market value for each of the</p> <p>21 asset classes.</p> <p>22 Q. What experts?</p> <p>23 A. So each of the IVC individuals, like,</p> <p>24 for instance, for my world, people within my</p> <p>25 team would have performed analysis for</p>	<p>1 Teague</p> <p>2 corporates, somebody would have performed</p> <p>3 analysis for munis, somebody would have</p> <p>4 performed analysis for agencies, and that would</p> <p>5 be data that, yes, we utilized then to calculate</p> <p>6 a bid/offer.</p> <p>7 For Rich's team, within his team, that</p> <p>8 would be how it would have worked for the</p> <p>9 securitized products.</p> <p>10 Q. And the net result of this, with</p> <p>11 respect to non-JPM assets, was that assets that</p> <p>12 were valued by the Bank of New York at 45</p> <p>13 billion were valued by Barclays at 40.69</p> <p>14 billion; is that right?</p> <p>15 A. Yes, but there was a time period of</p> <p>16 difference there between the two dates.</p> <p>17 Q. And the time period difference that</p> <p>18 you're alluding to is the BoNY values were as of</p> <p>19 what date, sir?</p> <p>20 MR. HUME: Objection. Lacks</p> <p>21 foundation.</p> <p>22 A. I'm not quite sure. I believe it was,</p> <p>23 if we go back to one of the other tabs --</p> <p>24 Q. Pick any tab?</p> <p>25 A. Try the Rates tab, I guess.</p>

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<p>1 Teague</p> <p>2 Q. Because you would be familiar with the</p> <p>3 Rates tab, right?</p> <p>4 A. Yes. I don't know whether it would be</p> <p>5 on that tab.</p> <p>6 If you go to the right. Sorry. Keep</p> <p>7 going to your left, actually.</p> <p>8 I take it it was 9/19 or 9/18 based on</p> <p>9 the dataset on the top, where it says cell F2 on</p> <p>10 that tab.</p> <p>11 Q. Cell F2, okay. So I'm on cell 2. So</p> <p>12 you see that as an indication that those are the</p> <p>13 BoNY prices as of 9/19?</p> <p>14 A. That's correct.</p> <p>15 Q. Okay. So the BoNY prices are as of</p> <p>16 9/19, and you said that your prices, the</p> <p>17 Barclays prices are as of end of day 9/22, as</p> <p>18 further explained by your memo on methodology</p> <p>19 followed?</p> <p>20 A. Yes.</p> <p>21 Q. Sir, I've now handed you a one-page</p> <p>22 document previously marked as Deposition Exhibit</p> <p>23 87B. I have pulled up on the screen the native</p> <p>24 version of that document, which is marked as</p> <p>25 Movants' Trial Exhibit 103N, for native.</p>	<p>1 Teague</p> <p>2 Looking first at the hard copy</p> <p>3 document, Exhibit 87B, do you recognize that as</p> <p>4 a summary of the valuation of the JPM Chase</p> <p>5 assets?</p> <p>6 A. Yes, I do.</p> <p>7 Q. And maybe you should read on the</p> <p>8 screen, do you recognize the summary sheet that</p> <p>9 appears there as the same summary in electronic</p> <p>10 format?</p> <p>11 A. Yes.</p> <p>12 Q. And again, to confirm, column D, line</p> <p>13 18, the \$5.9 billion number?</p> <p>14 A. Yes.</p> <p>15 Q. Is your understanding that that is the</p> <p>16 value of the JPM assets as of September 30?</p> <p>17 A. Yes. I'd have to go back to the other</p> <p>18 sheets, but yes, that appears to be the case.</p> <p>19 Q. And that the same assets are valued by</p> <p>20 Barclays as of December 22 at \$3.739 billion,</p> <p>21 which is column F, line 18; is that right?</p> <p>22 A. Yes.</p> <p>23 Q. What role did you play in the</p> <p>24 valuation of these assets, the JPM Chase assets?</p> <p>25 A. I would have been involved in</p>
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<p>1 Teague</p> <p>2 coordinating the assets for the spreadsheet,</p> <p>3 specifically for row 6 through rows 10. Rich</p> <p>4 Landreman's team would have handled rows 13 and</p> <p>5 14 labeled "PMTG."</p> <p>6 Q. In terms of liquidity adjustments that</p> <p>7 are reflected in column G for these JPM assets?</p> <p>8 A. Uh-huh.</p> <p>9 Q. What was the approach taken by you</p> <p>10 with respect to the assets that you valued to</p> <p>11 make liquidity adjustments? Was it the same as</p> <p>12 you had done with the other assets? Was there a</p> <p>13 different approach with these assets?</p> <p>14 A. I'd have to go back again to the</p> <p>15 Lehman opening balance sheet, Barclays Capital</p> <p>16 Valuation Methodology document.</p> <p>17 Q. So if you have it before you, that's</p> <p>18 the bound document, and where specifically in</p> <p>19 that? How do you address this issue?</p> <p>20 A. Page 0213992.</p> <p>21 Q. And for the assets that you valued,</p> <p>22 what part of this page refers to the liquidity</p> <p>23 approach that you took?</p> <p>24 A. Just a moment. I would have been</p> <p>25 involved again in the, what would be considered</p>	<p>1 Teague</p> <p>2 the more liquid assets portion, and Rich</p> <p>3 Landreman would have been involved in anything</p> <p>4 regarding PMTG for the illiquid assets.</p> <p>5 Q. Can I stop you there for a second? Do</p> <p>6 you generally bucket it that way, that the PMTG</p> <p>7 assets, in your view, were generally the</p> <p>8 illiquid assets, or are there liquid and</p> <p>9 illiquid assets within PMTG?</p> <p>10 A. There could be some. I mean, again,</p> <p>11 it goes down to the -- the analysis would be the</p> <p>12 Haircut tab on -- where it breaks down the</p> <p>13 specific bid/offers by product. So it can be</p> <p>14 cross-referenced to what bid/offer was applied</p> <p>15 to which product would help give an insight.</p> <p>16 Q. Okay. Again, just looking at the PMTG</p> <p>17 rows in this spreadsheet, 87B, Movants' 103</p> <p>18 Native, is it your understanding that for the</p> <p>19 PMTG securities covered by this spreadsheet,</p> <p>20 that it's Mr. Landreman who would have been</p> <p>21 responsible for determining what the liquidity</p> <p>22 haircuts were for these securities?</p> <p>23 A. Yes.</p> <p>24 Q. And that you would have been</p> <p>25 responsible for determining the liquidity</p>

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<p>1 Teague</p> <p>2 haircuts for rows 6 through 10?</p> <p>3 A. Yes, my team would have -- would have</p> <p>4 performed the analysis, each of the individuals</p> <p>5 who has the expertise in each of the product</p> <p>6 classes.</p> <p>7 Q. And the approach that you took on rows</p> <p>8 6 through 10, the liquidity approach, liquidity</p> <p>9 adjustment approach you took with respect to</p> <p>10 these assets, was it a different approach than</p> <p>11 the one you had taken with respect to the</p> <p>12 initial inventory?</p> <p>13 A. There was some slight differences. We</p> <p>14 would have to go and look at the Liquidity tab.</p> <p>15 Just one moment.</p> <p>16 Q. The Liquidity tab in this spreadsheet?</p> <p>17 We can go there?</p> <p>18 A. Yes, I believe that might --</p> <p>19 Q. So we're now on the Liquidity tab</p> <p>20 which has the liquidity haircuts expressed as</p> <p>21 percentages, do you see that?</p> <p>22 A. Yes. Yes, I do. So this is -- these</p> <p>23 are the -- these are the bid/offer adjustments</p> <p>24 that were again applied by product type.</p> <p>25 Q. And for the products that you valued,</p>	<p>1 Teague</p> <p>2 what did you do to ensure that the bid/offer</p> <p>3 adjustments or the liquidity adjustments that</p> <p>4 you were applying as of December 22 were</p> <p>5 consistent with the liquidity adjustments that</p> <p>6 you had applied as of September 22?</p> <p>7 MR. HUME: Objection to the form of</p> <p>8 the question.</p> <p>9 A. So some of the differences were for</p> <p>10 corporates, as per this page. The majority or</p> <p>11 much of the data was from TRACE. So we were</p> <p>12 using pricing data for what was clearing, which</p> <p>13 was either minimum of third party or TRACE.</p> <p>14 Much of the data was actually TRACE.</p> <p>15 And for munis, there was no bid/offer</p> <p>16 applied for the 12/22 assets if you look at the</p> <p>17 second page.</p> <p>18 Q. So for the munis you say no bid/offer</p> <p>19 adjustment was applied. Why was that?</p> <p>20 A. For the muni market, the market itself</p> <p>21 had showed signs of stability, and there was</p> <p>22 also not -- I don't believe there was a, as far</p> <p>23 as acquisition one for the second piece, I don't</p> <p>24 believe there was many munis, either. But for</p> <p>25 the most part, it was the dataset itself was</p>
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<p>1 Teague</p> <p>2 deemed much more stable.</p> <p>3 Q. In your memo, which is in Exhibit 641,</p> <p>4 you say for munis, "No bid/offer FTID and</p> <p>5 research pricing data applied to valued</p> <p>6 product." Do you see that?</p> <p>7 A. Yes.</p> <p>8 Q. And FTID is a reference to what?</p> <p>9 A. FTID is a vendor.</p> <p>10 Q. And it's a vendor that you used to</p> <p>11 obtain prices from?</p> <p>12 A. Correct.</p> <p>13 Q. And you believed those to be reliable</p> <p>14 prices?</p> <p>15 A. So the 12/22 utilized that along with</p> <p>16 research data. So --</p> <p>17 Q. And the question was you believe FTID</p> <p>18 to be a reliable source of data?</p> <p>19 A. It can be when the markets are stable,</p> <p>20 yes.</p> <p>21 Q. So on December 22, it was reliable?</p> <p>22 A. On December 22, for the munis at</p> <p>23 products, munis were deemed to be stable, so IDC</p> <p>24 was deemed appropriate.</p> <p>25 Q. Did you use similar data for September</p>	<p>1 Teague</p> <p>2 19 and September 22?</p> <p>3 A. For munis?</p> <p>4 Q. For munis.</p> <p>5 A. For munis, the IDC price was not</p> <p>6 deemed reliable. A different analysis was</p> <p>7 performed for the munis based on the markets.</p> <p>8 Q. What did you do to determine that IDC</p> <p>9 was not reliable September 19 to September 22?</p> <p>10 A. We looked at the market information</p> <p>11 that we had. We also spoke with the trading</p> <p>12 desk, the traders for -- if you go back to</p> <p>13 this -- the trader for munis was saying that</p> <p>14 there was, you know, he placed little faith in</p> <p>15 the, you know, numbers coming out of FTID at the</p> <p>16 time, and working with the desk, that's where</p> <p>17 the marks for 9/22 came from.</p> <p>18 We did a haircut based on the market</p> <p>19 analysis of how much market prices were moving</p> <p>20 in the munis market because the underlying</p> <p>21 prices were stale.</p> <p>22 Q. Maybe I missed this in your answer.</p> <p>23 So for the 9/19, 9/22 timeframe, what prices</p> <p>24 were you using for munis?</p> <p>25 A. For munis, it was a -- the trader</p>

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<p>1 Teague</p> <p>2 mark, essentially, which was a haircut to the --</p> <p>3 our own front office trader view as well as</p> <p>4 Independent Valuation view of where the market</p> <p>5 was for 9/22 looking at the haircut that we</p> <p>6 applied. So the overall haircut was I believe 5</p> <p>7 to 8 percent based on the drop in the munis.</p> <p>8 That is a separate document, I believe, where</p> <p>9 there's -- that goes through the analysis on the</p> <p>10 munis.</p> <p>11 Q. Are you aware that certain munis were</p> <p>12 priced in that time period, 9/19-9/22, by you at</p> <p>13 .0001?</p> <p>14 A. I believe there was a position that we</p> <p>15 had no external data on that, yes, I believe</p> <p>16 that did happen.</p> <p>17 Q. So you basically priced it at close to</p> <p>18 zero?</p> <p>19 A. As a placeholder we didn't know the --</p> <p>20 we didn't have any data at all on the document.</p> <p>21 Q. And if it was meant to be a</p> <p>22 placeholder, what were your plans for updating</p> <p>23 that placeholder?</p> <p>24 A. I believe that was -- I don't have</p> <p>25 that in front of me. That was one of the assets</p>	<p>1 Teague</p> <p>2 that was brought up by the previous deposition.</p> <p>3 I believe that was just an oversight on our</p> <p>4 side.</p> <p>5 Q. I'm sorry, what was an oversight?</p> <p>6 Pricing it at .0001 was an oversight?</p> <p>7 A. Yes, I believe that was an oversight</p> <p>8 on our part. We had no data to mark those</p> <p>9 assets.</p> <p>10 Q. What have you done to correct that</p> <p>11 oversight?</p> <p>12 A. The oversight itself was brought up</p> <p>13 after the opening balance sheet was closed.</p> <p>14 Q. How was it brought up? Who brought it</p> <p>15 up?</p> <p>16 A. The oversight -- I only became aware</p> <p>17 of it recently.</p> <p>18 Q. Well, you became aware of it because</p> <p>19 of the testimony that was provided in this case,</p> <p>20 right?</p> <p>21 A. Correct.</p> <p>22 Q. So we brought it to your attention?</p> <p>23 A. That's correct.</p> <p>24 Q. And so now that we brought it to your</p> <p>25 attention, what have you done about it?</p>
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<p>1 Teague</p> <p>2 A. From a valuation perspective, I have</p> <p>3 not reopened the opening balance sheet. I think</p> <p>4 that's really more something from the accounting</p> <p>5 perspective or if the firm has any opinion on</p> <p>6 that.</p> <p>7 Q. Have you spoken with anyone about</p> <p>8 going back and restating the acquisition balance</p> <p>9 sheet to correct this oversight that's been</p> <p>10 brought to your attention?</p> <p>11 A. No, I have not.</p> <p>12 Q. Do you know whether others within</p> <p>13 Barclays have had that discussion?</p> <p>14 A. No, I do not know if that discussion</p> <p>15 has occurred.</p> <p>16 Q. Putting aside this particular example</p> <p>17 about the .0001 pricing, are there other</p> <p>18 oversights that we have brought to your</p> <p>19 attention?</p> <p>20 A. Not that I can recall. I believe the</p> <p>21 munis were a, out of the 12,000 securities that</p> <p>22 we reviewed, there was an oversight on my part</p> <p>23 or on my team's part for less than a handful of</p> <p>24 muni positions.</p> <p>25 I think those positions also were,</p>	<p>1 Teague</p> <p>2 correct me if I'm wrong, I believe they were all</p> <p>3 auction rate. So there was no data outstanding.</p> <p>4 Q. On the point of no other data</p> <p>5 outstanding, at least some of the muni bonds at</p> <p>6 issue that were valued at .00001 by your group</p> <p>7 were obligations of the State of Massachusetts,</p> <p>8 does that ring a bell?</p> <p>9 A. Yes.</p> <p>10 Q. Did you --</p> <p>11 A. I think it was one. I don't think it</p> <p>12 was some.</p> <p>13 Q. So one. The one obligation that you</p> <p>14 recall being a State of Massachusetts</p> <p>15 obligation, did you look to see how</p> <p>16 Massachusetts' general obligation bonds were</p> <p>17 trading, for example?</p> <p>18 A. Again, the handful of securities out</p> <p>19 of the 12,000 securities that you are</p> <p>20 referencing, that was an oversight on our side.</p> <p>21 The volume of assets that we were going through</p> <p>22 at that moment, we did have an oversight on</p> <p>23 munis where there was assets that we had no</p> <p>24 market data on that were marked all the way</p> <p>25 down.</p>

<p style="text-align: right;">Page 170</p> <p>1 Teague</p> <p>2 Q. Again, I'm not sure how that -- maybe</p> <p>3 you have answered my question, but it's not</p> <p>4 clear to me. Did you look to see how other</p> <p>5 Massachusetts obligations were trading?</p> <p>6 A. Again, out of the 5 positions you're</p> <p>7 talking to versus 12,000 assets that came into</p> <p>8 the firm, there was an oversight on our part.</p> <p>9 Q. So the answer to my question is you</p> <p>10 didn't look at other pricing data for other</p> <p>11 bonds issued by the State of Massachusetts?</p> <p>12 A. No, we did not at that moment look at</p> <p>13 State of Massachusetts for 5 positions out of</p> <p>14 12,000 securities that we priced.</p> <p>15 Q. And it would not have been improper</p> <p>16 for you to have looked at those, you just didn't</p> <p>17 do it, correct?</p> <p>18 A. If we performed that analysis, it</p> <p>19 would have been something above the, you know,</p> <p>20 work that had been performed, and that analysis</p> <p>21 was not performed.</p> <p>22 Q. Coming back to Exhibit 87B, the</p> <p>23 summary, the Summary tab on the electronic</p> <p>24 document, which is the hard copy document in</p> <p>25 front of you, the decision to value the JPM</p>	<p style="text-align: right;">Page 171</p> <p>1 Teague</p> <p>2 Chase assets as of December 22, 2008, that was a</p> <p>3 decision made by Barclays, correct?</p> <p>4 MR. HUME: Objection. Lacks</p> <p>5 foundation.</p> <p>6 A. I can't speak to the date and the</p> <p>7 decision for the date.</p> <p>8 Q. So, just so I understand what your</p> <p>9 knowledge or understanding is, then, you were</p> <p>10 simply told to value those as of December 22?</p> <p>11 A. That's correct. I believe that's when</p> <p>12 they came -- when the delivery, or I believe</p> <p>13 that's when they were delivered. I'm not quite</p> <p>14 sure.</p> <p>15 Q. And who directed you to value those as</p> <p>16 of December 22?</p> <p>17 A. That would have been Marcus Morton.</p> <p>18 Q. Do you recall having any discussions</p> <p>19 with Mr. Morton about whether it was appropriate</p> <p>20 to value these assets as of the 22 of December?</p> <p>21 A. Versus?</p> <p>22 Q. Versus the 22nd of September.</p> <p>23 A. If they hadn't come in, I don't think</p> <p>24 we would have valued them. No, I didn't really</p> <p>25 have any specific conversations of that nature.</p>
<p style="text-align: right;">Page 172</p> <p>1 Teague</p> <p>2 Q. Did you have any discussions or</p> <p>3 conversations with Price Waterhouse on that</p> <p>4 topic?</p> <p>5 A. No. The analysis we show the JP</p> <p>6 assets as of that date, but the valuations were</p> <p>7 performed as of September 22.</p> <p>8 Q. And is it your understanding that</p> <p>9 these JPM assets which were valued as of</p> <p>10 December 22 were assets received in lieu of the</p> <p>11 \$7 billion in cash that was being reflected in</p> <p>12 certain accounting documents as of September 22,</p> <p>13 2008?</p> <p>14 A. Yes. The assets were to be delivered</p> <p>15 in place of cash, which made we very upset,</p> <p>16 because I prefer cash because I don't have to do</p> <p>17 any further valuations.</p> <p>18 Q. And in fact, in some of your early</p> <p>19 work you had a placeholder for \$7 billion of</p> <p>20 cash?</p> <p>21 A. Yes.</p> <p>22 Q. Did you have any discussions with</p> <p>23 Marcus Morton or anyone else within Barclays as</p> <p>24 to how the decision was made to accept these</p> <p>25 securities in lieu of the \$7 billion of cash?</p>	<p style="text-align: right;">Page 173</p> <p>1 Teague</p> <p>2 A. I think that was something above and</p> <p>3 beyond, as far as I was concerned. It was more</p> <p>4 so somehow JPMorgan had managed to provide us</p> <p>5 with assets that they potentially no longer</p> <p>6 wanted and, in place, they took \$7,000 in cash.</p> <p>7 Q. You mean \$7 billion in cash.</p> <p>8 A. \$7 billion in cash, yes.</p> <p>9 Q. My question was did you have any</p> <p>10 discussions with Marcus Morton or anyone else</p> <p>11 within Barclays on that topic?</p> <p>12 A. Why we received this instead of \$7</p> <p>13 billion?</p> <p>14 Q. Yes.</p> <p>15 A. I think the overall view is, as I</p> <p>16 stated, that, well, this is what ended up</p> <p>17 happening at the end of the day. This is what</p> <p>18 ended up being delivered as opposed to cash.</p> <p>19 Gary Romain would probably be best able to speak</p> <p>20 to why we received this versus why we received</p> <p>21 cash.</p> <p>22 Q. The name you mentioned was Gary</p> <p>23 Romain?</p> <p>24 A. Yes.</p> <p>25 Q. Explain to me what your interaction or</p>

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<p>1 Teague</p> <p>2 level of interaction was with Gary Romain</p> <p>3 through this process. What were you doing?</p> <p>4 What's he doing? How did the two of you</p> <p>5 interact on the acquisition balance sheet?</p> <p>6 A. I would -- Gary oversaw, I take it,</p> <p>7 the whole -- I'm trying to think of the right</p> <p>8 wording for it. My part was just the -- I was</p> <p>9 consolidating the assets themselves, the</p> <p>10 valuations, and that was provided to Gary to</p> <p>11 include in all of his data since his scope was</p> <p>12 much larger.</p> <p>13 Q. Is it your understanding that Gary was</p> <p>14 doing any independent valuation of the assets</p> <p>15 other than what the IPV group was doing?</p> <p>16 A. Yeah, no, Gary wouldn't have been</p> <p>17 involved in that aspect.</p> <p>18 Q. So Gary would take, when he needed to</p> <p>19 plug in the value of the assets, he would take</p> <p>20 your output?</p> <p>21 A. Yes, that's the case.</p> <p>22 Q. We talked this morning about</p> <p>23 conversations, conference calls that Stephen</p> <p>24 King was on, you were on, others may have been</p> <p>25 on.</p>	<p>1 Teague</p> <p>2 Do you recall Gary Romain being a</p> <p>3 party to any of those conference calls?</p> <p>4 A. Yes, Gary would have been on some of</p> <p>5 the conference calls.</p> <p>6 Q. And I apologize if I have asked you</p> <p>7 this in terms of the timing of those calls. Do</p> <p>8 you recall any of those conference calls taking</p> <p>9 place the week of the 15th of September, 2008,</p> <p>10 the week of the 22nd of September 2008?</p> <p>11 MR. HUME: Objection to form.</p> <p>12 A. I don't recollect.</p> <p>13 Q. So it might have been, you just don't</p> <p>14 remember?</p> <p>15 A. Potentially. I would tend to believe</p> <p>16 it was later on in the process, but I don't</p> <p>17 recollect.</p> <p>18 Q. In terms of the decision-making</p> <p>19 process, the IPV group does its analysis, comes</p> <p>20 up with values for these assets, you collect</p> <p>21 those values and then you handed those over to</p> <p>22 Gary Romain; is that right?</p> <p>23 A. Yes.</p> <p>24 Q. Were there any values that were</p> <p>25 proposed by IPV that Gary did not accept or</p>
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<p>1 Teague</p> <p>2 others objected to?</p> <p>3 A. No, that wasn't Gary's role in the</p> <p>4 process.</p> <p>5 Q. Was this process of valuing at least</p> <p>6 the initial inventory, putting aside the JPM</p> <p>7 assets, the initial inventory, was it an</p> <p>8 iterative process? Did you have initial</p> <p>9 valuations that were then refined and updated</p> <p>10 through the course of October and November,</p> <p>11 December?</p> <p>12 A. Yes, the numbers had changed between,</p> <p>13 say, I don't know, September 22nd, 23rd and</p> <p>14 later on. Much of it had to do also with the --</p> <p>15 in confirming the delivered assets themselves,</p> <p>16 scrubbing data, ensuring you had the right</p> <p>17 ISINs, ensuring you had the right market</p> <p>18 information as far as not even just saying third</p> <p>19 party, but the dataset required for the</p> <p>20 structured products, things of that nature, that</p> <p>21 you -- it took some time to scrub out of the</p> <p>22 12,000 assets.</p> <p>23 Q. In the time period, the 22nd of</p> <p>24 September through the end of September, do you</p> <p>25 recall there being uncertainty or confusion</p>	<p>1 Teague</p> <p>2 about the actual assets that had been</p> <p>3 transferred, CUSIPs, reconciling lists, things</p> <p>4 like that?</p> <p>5 A. I believe Operations were continually</p> <p>6 updating reconciliations for quite some time,</p> <p>7 specifically on the equity side.</p> <p>8 Q. Other than reconciliation issues and</p> <p>9 the issues you described with respect to the</p> <p>10 structured products, were there any approach or</p> <p>11 method changes or policy changes that were</p> <p>12 responsible for the changing valuations as you</p> <p>13 moved through October, November and into</p> <p>14 December?</p> <p>15 A. Just refinements.</p> <p>16 Q. What kinds of refinements?</p> <p>17 A. Just in the -- in the data itself,</p> <p>18 more putting a structure around the data, such</p> <p>19 as the Lehman opening balance sheet valuation</p> <p>20 methodology, trying to document the thought</p> <p>21 process of the -- of how the spreadsheets were</p> <p>22 oriented; try to, you know, where possible,</p> <p>23 ensure consistency.</p> <p>24 Just basically show the robustness of</p> <p>25 the process that was performed in such a manner</p>

<p style="text-align: right;">Page 178</p> <p>1 Teague</p> <p>2 where it would be -- I didn't know it would be</p> <p>3 me, but it would be something where a person</p> <p>4 would be able to speak to it one day.</p> <p>5 And that's basically, you know, had a</p> <p>6 lot -- a lot of the data that was done at that</p> <p>7 time was also helpful in the discussions with</p> <p>8 PwC.</p> <p>9 Q. Was any of the data or any of the</p> <p>10 analysis prepared specifically to respond to</p> <p>11 questions raised by PwC?</p> <p>12 A. I'd say a lot of it was a -- a</p> <p>13 continual discussion more so than a creation of</p> <p>14 information for PwC. It was they were basically</p> <p>15 working closely with Barclays from time to time</p> <p>16 with the valuation team to get a deeper</p> <p>17 understanding of the process and the analysis</p> <p>18 that was being performed.</p> <p>19 Q. Well, they would have questions about</p> <p>20 why you did what you did, correct?</p> <p>21 A. That's correct.</p> <p>22 Q. They would ask you to support why you</p> <p>23 did what you did, correct?</p> <p>24 A. Yes, there would have been e-mails</p> <p>25 back and forth to -- and they would have sat</p>	<p style="text-align: right;">Page 179</p> <p>1 Teague</p> <p>2 down with us. So there was -- there was</p> <p>3 in-depth conversations that would have occurred.</p> <p>4 Q. And you would provide the information</p> <p>5 they were looking for? You would provide the</p> <p>6 backup or the data to answer their questions; is</p> <p>7 that right?</p> <p>8 A. Correct. And then most of that data</p> <p>9 would then be consolidated in one place, for</p> <p>10 instance, the Liquidity tab or something of that</p> <p>11 nature, to help provide more clarity going</p> <p>12 forward.</p> <p>13 Q. And just to be clear, PwC wasn't</p> <p>14 telling you what liquidity adjustments to make,</p> <p>15 correct? They were asking you to explain what</p> <p>16 you had done?</p> <p>17 A. That's correct. They were --</p> <p>18 Q. Similarly, PwC wasn't telling you what</p> <p>19 valuation dates to use for particular assets;</p> <p>20 they were asking you to explain why you had</p> <p>21 picked the ones that you had?</p> <p>22 MR. HUME: Objection. Lacks</p> <p>23 foundation.</p> <p>24 A. I couldn't talk to that. Again, I</p> <p>25 received no direction from that aspect.</p>
<p style="text-align: right;">Page 180</p> <p>1 Teague</p> <p>2 Q. Were you party to communications with</p> <p>3 PwC in which that was a topic of discussion, the</p> <p>4 picking of dates for valuation of assets?</p> <p>5 A. No.</p> <p>6 Q. Where they basically said to you</p> <p>7 that's not their job, that's your job?</p> <p>8 A. That's -- any discussions of that</p> <p>9 nature would not happen at my level, to be</p> <p>10 honest. I was performing the independent</p> <p>11 valuations.</p> <p>12 (Deposition Exhibit 869, a document</p> <p>13 bearing Bates Nos. BCI-EX-(S)-00207919</p> <p>14 through 920, with attachment, marked for</p> <p>15 identification, as of this date.)</p> <p>16 Q. I've had placed before you, sir, a</p> <p>17 document marked Exhibit 869. It's an e-mail</p> <p>18 exchange that you are involved in. It has a</p> <p>19 spreadsheet attached to it which has been</p> <p>20 printed out from the native format. Take a</p> <p>21 minute to look at it. I'll ask you some</p> <p>22 questions about it.</p> <p>23 (Document review.)</p> <p>24 A. This is a piggyback of a front office</p> <p>25 view versus the sheets you were looking at were</p>	<p style="text-align: right;">Page 181</p> <p>1 Teague</p> <p>2 my view. I don't think -- at the time, I think</p> <p>3 there was changes made, being made to this</p> <p>4 document, but then over the coming weeks, you</p> <p>5 see this format, which is our document.</p> <p>6 Q. Okay. Let me ask you some questions</p> <p>7 about it.</p> <p>8 A. Sure.</p> <p>9 Q. So the cover e-mail, e-mails, are as</p> <p>10 of October 10, 2008. Do you see that?</p> <p>11 A. Yes.</p> <p>12 Q. And what you were just saying is this</p> <p>13 is a work in progress that evolves over time and</p> <p>14 takes on the format that we see in 86B and 87B,</p> <p>15 right?</p> <p>16 A. Yes.</p> <p>17 Q. What I want to draw your attention to</p> <p>18 is the last page of this exhibit, which is the</p> <p>19 printout of the Summary tab from the</p> <p>20 spreadsheet. There's a little footer you will</p> <p>21 see that says "Summary."</p> <p>22 A. Okay.</p> <p>23 Q. Can you read that?</p> <p>24 A. Yes. Yes.</p> <p>25 Q. And if you'll look at all the way over</p>

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<p>1 Teague</p> <p>2 to the right-hand side of that summary sheet?</p> <p>3 A. Uh-huh.</p> <p>4 Q. Columns Q and R have some notes in</p> <p>5 them, do you see that?</p> <p>6 A. Yes.</p> <p>7 Q. So on the row for Agency Mortgages,</p> <p>8 the comment or the note reads, "All sold onto</p> <p>9 desk." Do you see that?</p> <p>10 A. Yes.</p> <p>11 Q. And you understand that to be a</p> <p>12 reference to the fact that these securities in</p> <p>13 Agency Mortgages were all sold internally on to</p> <p>14 the desk, correct?</p> <p>15 A. Just a moment.</p> <p>16 (Document review.)</p> <p>17 A. I'm not sure who wrote these notes, so</p> <p>18 I can't speak to them. I can just read them,</p> <p>19 similar to yourself, but I -- I'm not sure who</p> <p>20 wrote the notes.</p> <p>21 Q. Well, going back to the process and</p> <p>22 the team that was in place doing this work, who</p> <p>23 would have prepared this type of a spreadsheet?</p> <p>24 A. I'm just saying if some of this</p> <p>25 piggybacked on the front office analysis, I may</p>	<p>1 Teague</p> <p>2 have taken -- this data could have been coming</p> <p>3 from those -- from a spreadsheet utilized by</p> <p>4 front office. So I can't -- I can't quite state</p> <p>5 what -- so as of 10/10, no reason to doubt the</p> <p>6 note, I just don't know who wrote the note.</p> <p>7 Q. We're going to see if we can pull up</p> <p>8 the native format of the document. But the</p> <p>9 spreadsheet that you're forwarding on the</p> <p>10 e-mail, that's a spreadsheet that you would have</p> <p>11 worked on, that you would have revised and</p> <p>12 updated, correct?</p> <p>13 MR. HUME: What spreadsheet?</p> <p>14 MR. TAMBE: The one that's referenced</p> <p>15 in his e-mail from Sean Teague to Landreman,</p> <p>16 Elly Pu and Scott Ginsberg.</p> <p>17 Q. We have pulled up the native version</p> <p>18 of this document. I'm not sure if that helps</p> <p>19 you identify or answer my question any better,</p> <p>20 sir.</p> <p>21 A. If we go to the page "Rates 1," which</p> <p>22 is about, I don't know, ten pages from the back.</p> <p>23 Q. It's the "Rates, page 1." Okay. We</p> <p>24 have pulled that up on the screen.</p> <p>25 A. Based on that specific page, if you go</p>
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<p>1 Teague</p> <p>2 to the next page, the "CCL Price," the only</p> <p>3 thing I see sale prices for on September 30 were</p> <p>4 the Treasuries on the previous page and then</p> <p>5 anything listed here as agencies. They're not</p> <p>6 showing up as the sales price. So it makes me</p> <p>7 just question the comments on the other page.</p> <p>8 I'm not quite sure.</p> <p>9 So, again, I'm just looking through</p> <p>10 the document trying to make sense of the</p> <p>11 comment, and it doesn't seem to line up to the</p> <p>12 supporting information.</p> <p>13 Q. Well, do you know who would have put</p> <p>14 the comments into the Summary tab of this</p> <p>15 spreadsheet?</p> <p>16 A. It might have just been sold on to the</p> <p>17 agency mortgage desk, but to be honest, I can't</p> <p>18 say as it's not in the backup sheet, like it</p> <p>19 might have just been moved into their books.</p> <p>20 Because at the time, the PMTG desk had to borrow</p> <p>21 other people's -- other desks, again, going back</p> <p>22 to the original thought process of how an asset</p> <p>23 needed to -- needed to get booked in the firm's</p> <p>24 systems, for rates, the agency desk would be the</p> <p>25 ones holding the positions that Stephen would be</p>	<p>1 Teague</p> <p>2 overseeing because they would have the systems</p> <p>3 where the positions could settle into their</p> <p>4 systems.</p> <p>5 So I can't talk to this comment as far</p> <p>6 as stating that assets were sold out of PMTG to</p> <p>7 another desk except to say, looking at the</p> <p>8 supporting documentation, it doesn't appear to</p> <p>9 be the case. So potentially that note could</p> <p>10 mean all of the positions were sold on to those</p> <p>11 desks to manage. Not quite sold on to the desk</p> <p>12 as far as P&L discovery. So it might just be in</p> <p>13 their systems since they have the proper systems</p> <p>14 to manage the P&L for these types of assets.</p> <p>15 So, again, going to the backup pages,</p> <p>16 it doesn't show that all these were sold based</p> <p>17 on the Excel file that goes to the summary page.</p> <p>18 Q. You don't know one way or the other</p> <p>19 what that comment then might mean, "All sold on</p> <p>20 to desk"?</p> <p>21 A. It doesn't quite make sense to the</p> <p>22 backup sheets are all I can say.</p> <p>23 Q. The "Hedging P&L" column and the "Sep.</p> <p>24 P&L" column, columns M and N on this summary</p> <p>25 sheet, do you have any understanding as to what</p>

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<p>1 Teague 2 those columns are? 3 A. Not that I recollect. If you go to 4 that "Hedge P&L" column, if you could show me 5 cell M3, I guess. 6 Could one of you go to cell M3? 7 Thank you. 8 Q. It's reference to another worksheet. 9 A. If you go to that tab, Hedge P&L tab, 10 it might be one of the end tabs. Yes, any tab 11 in gray isn't a tab that I would have looked at 12 from an IVC perspective. We went with hot pink. 13 Q. Hot pink was your color? 14 A. You can put that in there. 15 Q. It's in there. 16 So the gray tabs are work done by 17 other people. The pink tabs were the IVC 18 spreadsheets that you worked on? 19 A. For this spreadsheet, yes. Not all 20 the spreadsheets. 21 Q. So who else would have been working 22 on -- 23 A. Again, this was a -- 24 Q. -- on the spreadsheet? 25 A. This spreadsheet at that point in time</p>	<p>1 Teague 2 before we separated out, this spreadsheet was 3 something I believe that we received kind of 4 from the front office, and we -- 5 Q. The front office, is that the traders? 6 A. The traders, yes. And we had 7 piggybacked information into the spreadsheet. 8 So I can't speak to -- I can't really speak to 9 the spreadsheet that well until at such point in 10 time we had a separate spreadsheet, which is 11 solely, you know, solely managed by Valuations. 12 Q. Okay. 13 A. Again, in the early days, it was, you 14 know, we were just putting a process in place. 15 Q. One question on the summary sheet, 16 which is a gray sheet, so you may not have an 17 answer to this, but did you have any 18 understanding that there was a hedge profit as 19 of the 10th of October for a billion dollars? 20 A. Yeah, I couldn't really speak to that. 21 Q. You just don't know one way or the 22 other? 23 A. Yeah, I don't know one way or the 24 other. That would be more Tom McCosker. 25 Q. Let's try another spreadsheet.</p>
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<p>1 Teague 2 Handing you what has been previously marked as 3 Deposition Exhibit 811B, and you'll see on the 4 cover e-mail that is an e-mail from you 5 attaching a zip file and you're sending it on to 6 Phillip Nash, copying others. Do you see that? 7 A. Yes. 8 Q. And turning to the printout of the 9 native format document, is that a document you 10 recognize? It's the first page reads "FO Sum," 11 page 1? 12 A. Yes. 13 Q. And this is a document that you would 14 have worked on? 15 A. Yes, this is very similar to the other 16 document, something that we were probably 17 piggybacking on the desk file before we got our 18 own file. 19 Q. On the cover e-mail to this 20 spreadsheet, you have some figures that you note 21 to Phil Nash. You have a 9/19 PCG Value, 9/19 22 Diff with Liquidity, and then Front Office, do 23 you see that? 24 A. Yes. 25 Q. What is the information that you are</p>	<p>1 Teague 2 conveying there? 3 A. To be honest, I can't recollect. It 4 was I guess the dataset following a discussion. 5 Apologies. I don't recall. 6 Q. Would there be any reason why you 7 would be comparing PCG values, PCG values with 8 liquidity and front office values on this day? 9 A. Again, early in the process, I think 10 the analysis was piggybacked on their data. So 11 we provided a breakdown before we had our own 12 separate spreadsheets. 13 Q. When you say "piggybacked on their 14 data," what do you mean? Are you starting with 15 a dataset that you get from the front office and 16 then editing and revising that; is that what 17 you're doing? 18 A. Yeah, I'm not quite sure who created 19 the original spreadsheet. I don't recollect. 20 But we were adding information to -- we were 21 combining information from a couple of files at 22 that point in time. 23 Q. And the comments you make in your 24 e-mail, the cover e-mail, you state, "The below 25 file includes a liquidity adjustment as per</p>

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<p>1 Teague</p> <p>2 Patrick's request." Which Patrick are you</p> <p>3 referring to there?</p> <p>4 A. That would be Patrick Clackson to</p> <p>5 ensure that we captured the bid/offer; if we</p> <p>6 were utilizing vendor data, we should ensure</p> <p>7 that the vendor data properly reflects the</p> <p>8 market. That's a lot of vendor data is actually</p> <p>9 mid.</p> <p>10 Q. And do you recall a specific</p> <p>11 discussion or conversation with Mr. Clackson in</p> <p>12 which he asks you to be sure you're capturing</p> <p>13 that bid-ask or bid/offer adjustment?</p> <p>14 A. No, I do not. I believe it was just</p> <p>15 conversations between Marcus Morton and myself</p> <p>16 where he was stating that, you know, we need to</p> <p>17 ensure that we, you know, to reflect market, we</p> <p>18 need to ensure that we make sure everything is</p> <p>19 marked to bid.</p> <p>20 (Recess; Time Noted: 3:21 P.M.)</p> <p>21 (Time Noted: 3:40 P.M.)</p> <p>22 (Deposition Exhibit 870, a document</p> <p>23 bearing Bates Nos. BCI-EX-(S)-00207943</p> <p>24 through 944, with attachment, marked for</p> <p>25 identification, as of this date.)</p>	<p>1 Teague</p> <p>2 BY MR. TAMBE:</p> <p>3 Q. Sir, I've handed you a document marked</p> <p>4 870, a cover e-mail with an attached</p> <p>5 spreadsheet. Take a moment to review it and let</p> <p>6 me know when you're done.</p> <p>7 (Document review.)</p> <p>8 A. Yes. Sorry. Continue.</p> <p>9 Q. And drawing your attention to the</p> <p>10 spreadsheet that's attached to your cover</p> <p>11 e-mail, you'll recognize that is in a format</p> <p>12 similar to the last couple of exhibits we have</p> <p>13 looked at. Do you see that?</p> <p>14 A. Yes.</p> <p>15 Q. You recognize that as sort of a</p> <p>16 continuing refinement or build-out of the</p> <p>17 spreadsheet?</p> <p>18 A. Yes.</p> <p>19 Q. Again, this is a spreadsheet that you</p> <p>20 would have worked on, at least in part?</p> <p>21 A. Yes. Correct.</p> <p>22 Q. In your cover e-mail, you have a few</p> <p>23 bullet points that I want to draw your attention</p> <p>24 to. Your e-mail is, first of all, sent to</p> <p>25 Patrick Clackson and Paul Copson, correct?</p>
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<p>1 Teague</p> <p>2 A. Correct.</p> <p>3 Q. Both senior individuals within the</p> <p>4 bank, correct?</p> <p>5 A. That's the case, yes.</p> <p>6 Q. And drawing attention to the first</p> <p>7 bullet point, you are drawing their attention to</p> <p>8 column F, do you see that?</p> <p>9 A. The nominal. I'm on a different page</p> <p>10 probably.</p> <p>11 Q. Probably a different page. But the</p> <p>12 reference you make is you're saying, "Column F</p> <p>13 represents a combination of prices taken from</p> <p>14 books and records as they currently stand in</p> <p>15 conjunction with overrides from PMTG for the</p> <p>16 majority of their positions." Do you see that?</p> <p>17 A. Yes. Which page is that you're</p> <p>18 referring? Which page is this referring to or</p> <p>19 do we believe this is referring to?</p> <p>20 Q. It probably is, if you want to draw</p> <p>21 your attention to the Executive Summary page,</p> <p>22 which is probably halfway through the exhibit,</p> <p>23 or the Executive Summary tab, that might be the</p> <p>24 tab that it's referring to.</p> <p>25 We've got it up on -- we'll have it up</p>	<p>1 Teague</p> <p>2 on the screen in a second so you can look at it.</p> <p>3 A. Okay.</p> <p>4 Q. For the sake of identification, we</p> <p>5 have pulled up on the computer screen the native</p> <p>6 file, which is Movants' Trial Exhibit -- no,</p> <p>7 it's not. It's Deposition Exhibit 870. And we</p> <p>8 have opened the Executive Summary tab, and if</p> <p>9 you'll look at lines 12, 14 and 18, I'm not sure</p> <p>10 if that helps you place what your comment in</p> <p>11 better context.</p> <p>12 A. Yeah. I think this is an -- at this</p> <p>13 point, the analysis, we're still looking at</p> <p>14 September 30 data. So the analysis I take it</p> <p>15 was the difference between the initial</p> <p>16 September -- in, actuality, I guess 22nd pricing</p> <p>17 versus the September 30th pricing, where similar</p> <p>18 positions have already been booked into the</p> <p>19 system and the desks were marking those</p> <p>20 positions.</p> <p>21 So it would be your -- your September</p> <p>22 P&L is what this file would, in an extremely</p> <p>23 crude state, represent.</p> <p>24 Q. What I'm trying to sort of drill down</p> <p>25 on this is reference to overrides from PMTG.</p>

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<p>1 Teague</p> <p>2 What did you mean by "overrides"?</p> <p>3 A. Well, for -- so the rows 12, 14 and</p> <p>4 18, 14 doesn't look like there's anything there,</p> <p>5 to be honest, and 18 looks like there's nothing</p> <p>6 there. So I'm not quite sure. I guess it means</p> <p>7 this page, but again, looking up at the</p> <p>8 spreadsheet, row 12 has PMTG positions in there,</p> <p>9 and then -- sorry, rows 14 and 18, those cells</p> <p>10 for column F are blank. So I can't provide any</p> <p>11 clarity since two of the three are blank.</p> <p>12 Q. Well, let's see if it refers to some</p> <p>13 other sheet -- tab in the spreadsheet. I just</p> <p>14 want to get an understanding of what you meant</p> <p>15 by "overrides for PMTG."</p> <p>16 What is it that PMTG is overriding?</p> <p>17 The books and records or some other entity?</p> <p>18 A. It would have been, I take it, their</p> <p>19 pricing that they are putting in for September</p> <p>20 30th. Again, the analysis is regarding the, if</p> <p>21 you look at the next section, it's just a desk</p> <p>22 marking values for September 30. I take it, as</p> <p>23 all of assets had not been booked yet, they</p> <p>24 potentially just put in marks.</p> <p>25 So, apologies. The logic here would</p>	<p>1 Teague</p> <p>2 just be I don't think this is to clarify</p> <p>3 anything to do with the opening balance sheet,</p> <p>4 per se, as much as we were trying to get the</p> <p>5 desk values for September 30th. I mean, they're</p> <p>6 sheets of both, but the commentary is regarding</p> <p>7 the September 30th numbers.</p> <p>8 Q. Okay. And at some point you end up</p> <p>9 taking those September 30th numbers for purposes</p> <p>10 of the acquisition balance sheet, correct?</p> <p>11 A. For, yes, for PMTG, it would be</p> <p>12 their -- the desk would be marking those assets</p> <p>13 that are listed on the Lehman opening balance</p> <p>14 sheet, Barclays Capital Valuation Methodology</p> <p>15 document.</p> <p>16 Q. On the next bullet point in your cover</p> <p>17 e-mail, you state, "Corporate marks represent</p> <p>18 mid marks as supplied by corporate desk," and</p> <p>19 then (traders are no longer with the firm)." Do</p> <p>20 you see that?</p> <p>21 A. They were all let go. All the</p> <p>22 Barclays traders were let go post Lehman</p> <p>23 acquisition and they, specifically, in the</p> <p>24 Corporate Investment Grade and High-Yield Desks,</p> <p>25 we -- the firm took on the high-yield traders</p>
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<p>1 Teague</p> <p>2 and --</p> <p>3 Q. From Lehman?</p> <p>4 A. -- and investment grade traders from</p> <p>5 Lehman. So the individuals responsible for</p> <p>6 marking those positions were no longer with the</p> <p>7 firm or were no longer responsible for marking</p> <p>8 the books.</p> <p>9 Q. But you had, as part of the</p> <p>10 acquisition, taken over the traders, the</p> <p>11 high-yield traders from Lehman, correct?</p> <p>12 A. Correct.</p> <p>13 Q. Why were they not a resource to ask</p> <p>14 questions of with respect to the marking of the</p> <p>15 corporate bonds?</p> <p>16 A. I think the biggest thing for the firm</p> <p>17 as far as time well spent was to ensure that</p> <p>18 individuals were properly hedging any of the</p> <p>19 risk that the firm already had on its books and</p> <p>20 records, so the breakdown was mostly we were</p> <p>21 working -- you know, we weren't working alone,</p> <p>22 we reached out to other people to get additional</p> <p>23 information where necessary, but the reliance</p> <p>24 was not on the desk to perform the valuations</p> <p>25 because the desk was busy hedging the books and</p>	<p>1 Teague</p> <p>2 records that they have already acquired.</p> <p>3 So day one is day one. They were</p> <p>4 making sure day two, day three, day four, the</p> <p>5 firm weren't losing a lot of money and the</p> <p>6 positions already on our balance sheet be it</p> <p>7 through the Lehman acquisition or positions we</p> <p>8 already had. From the Lehman's traders'</p> <p>9 perspective, they were all given brand-new</p> <p>10 books, if you look at it that way, so they had</p> <p>11 to determine how to value their own books and</p> <p>12 how to hedge their own positions.</p> <p>13 Q. I'm trying to understand then your</p> <p>14 next observation on that same bullet point. "No</p> <p>15 asset level marks received to substantiate PMTG</p> <p>16 Corp. MV." Do you see that?</p> <p>17 A. So at that moment we didn't have the,</p> <p>18 I take it, in that much earlier question of what</p> <p>19 positions we would have had on the books, we</p> <p>20 wouldn't have had no asset level marks received</p> <p>21 to substantiate the PMTG corporate market value.</p> <p>22 We didn't have any levels from the desk for</p> <p>23 those positions. So we had --</p> <p>24 Q. So if you had no level from the desk</p> <p>25 for those positions, what would you use?</p>

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<p>1 Teague</p> <p>2 A. The trading desk essentially wouldn't</p> <p>3 have had the positions in the PMTG portfolio, so</p> <p>4 the corporate desk wouldn't be able to</p> <p>5 substantiate. That's from what I -- what I see</p> <p>6 reading this bullet point.</p> <p>7 Q. And then in the spreadsheet, is there</p> <p>8 a particular section of the spreadsheet that</p> <p>9 that comment is directed to?</p> <p>10 A. One moment. Can you do me one favor</p> <p>11 and go to PMTG and PMTG Not Yet Settled?</p> <p>12 Q. So I have pulled up the PMTG Not Yet</p> <p>13 Booked tab in the native format of 807.</p> <p>14 A. Thank you. Can you scroll down? If</p> <p>15 you could do the same for the PMTG tab.</p> <p>16 Q. The PMTG tab. Scroll down?</p> <p>17 A. Can you shrink it a tad and then go</p> <p>18 home? Can you hit "home" or just go back to</p> <p>19 cell A-1? Can you page down? Keep going,</p> <p>20 please. Keep going. Thank you.</p> <p>21 I don't recall. I was looking to see</p> <p>22 if there was corporates in the PMTG tab, but I</p> <p>23 don't see any.</p> <p>24 Q. And using your handy reference before,</p> <p>25 I'm going to the hot pink Corporates tab and see</p>	<p>1 Teague</p> <p>2 if that has the information you're looking for.</p> <p>3 A. Apologies. I'm not quite sure --</p> <p>4 Q. You don't know what that comment in</p> <p>5 your e-mail refers to, what particular section</p> <p>6 of the spreadsheet?</p> <p>7 A. Apologies. It's been some time and it</p> <p>8 doesn't stand out at the moment to have any</p> <p>9 meaning.</p> <p>10 Q. Okay. Sir, I've handed you what has</p> <p>11 been marked as Deposition Exhibit 800B. If you</p> <p>12 could take a moment to review it. Cover e-mail</p> <p>13 with an attached spreadsheet. Let me know when</p> <p>14 you're done.</p> <p>15 (Document review.)</p> <p>16 A. Yes. Any particular page?</p> <p>17 Q. Let's start with the e-mail chain.</p> <p>18 Let's start with the oldest e-mail and work</p> <p>19 forward. The oldest e-mail is on the page that</p> <p>20 ends 967.</p> <p>21 A. Okay.</p> <p>22 Q. And it's an e-mail from Robert MacGoey</p> <p>23 to Marcus Morton, you see that?</p> <p>24 A. Yes.</p> <p>25 Q. And it's an e-mail dated October 17,</p>
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<p>1 Teague</p> <p>2 2008, and Mr. MacGoey from PwC is asking for</p> <p>3 documentation concerning the opening balance</p> <p>4 sheet, do you see that?</p> <p>5 A. Yes.</p> <p>6 Q. And you respond to that e-mail on page</p> <p>7 966, where you provide him with a breakdown and</p> <p>8 I assume with other data, the spreadsheet,</p> <p>9 correct?</p> <p>10 A. Yes.</p> <p>11 Q. Is it safe to say that October 17 --</p> <p>12 your e-mail is actually dated October 22. Was</p> <p>13 that the first set of documents that you had</p> <p>14 provided PwC in connection with the valuation?</p> <p>15 A. I don't recall.</p> <p>16 Q. And the document that was provided,</p> <p>17 the spreadsheet that you have provided Mr.</p> <p>18 MacGoey, do you recognize that document?</p> <p>19 It's printed out behind the e-mails.</p> <p>20 A. Yes, it looks similar to the other</p> <p>21 documents that -- the document style that was</p> <p>22 being used at the time, yes.</p> <p>23 Q. Then you'll see in the rest of the</p> <p>24 e-mail chain as you work your way to the front</p> <p>25 of the document, Mr. MacGoey asks for backup,</p>	<p>1 Teague</p> <p>2 correct? Sources of the prices use by PCG,</p> <p>3 correct?</p> <p>4 A. Yes.</p> <p>5 Q. And you, in turn, send that request</p> <p>6 along to other folks within the Independent --</p> <p>7 within the IPD group to pull that data and</p> <p>8 provide it to you to be provided to PwC,</p> <p>9 correct?</p> <p>10 A. Yes.</p> <p>11 Q. In the data that you provided PwC,</p> <p>12 both in this e-mail and through the -- through</p> <p>13 your -- through this process of finalizing the</p> <p>14 acquisition balance sheet, did you provide PwC</p> <p>15 with access to any models that you had prepared</p> <p>16 for valuing securities?</p> <p>17 A. Rich Landreman may have walked them</p> <p>18 through models. That would be outside of my</p> <p>19 scope.</p> <p>20 Q. As far as you're concerned for any of</p> <p>21 the securities that you valued, you did not --</p> <p>22 you did not use any models to value the</p> <p>23 securities?</p> <p>24 A. I would have -- it would have been</p> <p>25 actually a member of Rich's team. The only</p>

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<p>1 Teague</p> <p>2 thing I helped in some of the coordination were</p> <p>3 for the CDOs, but those values again would have</p> <p>4 been something within Rich Landreman's team.</p> <p>5 Q. And who within Rich Landreman's team?</p> <p>6 A. It would be potentially Imran Ansari,</p> <p>7 but Rich would have been overseeing a lot of</p> <p>8 that analysis, and that would have been nothing</p> <p>9 regarding models, just inputs to cash flow</p> <p>10 analysis is what PwC would have asked for.</p> <p>11 Q. Okay. And you would have provided</p> <p>12 those inputs to PwC?</p> <p>13 A. Yes.</p> <p>14 Q. Do you know one way or the other</p> <p>15 whether such inputs were requested and were</p> <p>16 provided PwC?</p> <p>17 A. Yes, data was provided to PwC. Be it</p> <p>18 from myself or Rich, I don't recollect, but data</p> <p>19 was provided to PwC as backup to support the</p> <p>20 spreads, the research data, which was used to</p> <p>21 calculate the prices, taking into account</p> <p>22 discount margin, prepayment, severity, all of</p> <p>23 the data was provided.</p> <p>24 Q. And in terms of any of the specific</p> <p>25 models that were used by Rich Landreman's team,</p>	<p>1 Teague</p> <p>2 do you know what those models were? Were they</p> <p>3 proprietary models? Off-the-shelf models?</p> <p>4 A. Intex would have been the main model.</p> <p>5 Intex is a vendor model, you know, any</p> <p>6 investment bank can purchase, essentially.</p> <p>7 Q. And that's a model that Barclays did</p> <p>8 use for valuing certain of the Lehman assets?</p> <p>9 A. For cash flow analysis, yes, Intex</p> <p>10 would have been utilized.</p> <p>11 Q. Any other model?</p> <p>12 A. I can't speak for anything outside of</p> <p>13 my team outside of that.</p> <p>14 Q. And do you know if the inputs that</p> <p>15 were used for the Intex model have been provided</p> <p>16 to the movants in this case?</p> <p>17 A. Outside of my scope. I wouldn't know.</p> <p>18 Q. You don't know one way or the other?</p> <p>19 A. No.</p> <p>20 Q. If you had to locate the inputs that</p> <p>21 were provided to PwC, is that something that you</p> <p>22 could do readily?</p> <p>23 A. Again, Rich Landreman would be best to</p> <p>24 talk to on that. That would be outside of my</p> <p>25 scope.</p>
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<p>1 Teague</p> <p>2 Q. Did you, for example, for the work</p> <p>3 that you did with PwC, keep a record of the</p> <p>4 information that you had provided PwC?</p> <p>5 A. I would have whatever data I provided</p> <p>6 them.</p> <p>7 Q. Any reason to believe Mr. Landreman</p> <p>8 wouldn't have similar data if he provided to it</p> <p>9 PwC?</p> <p>10 MR. HUME: Objection. Lacks</p> <p>11 foundation.</p> <p>12 A. I can't really talk on his behalf.</p> <p>13 Q. I'm handing you what has been</p> <p>14 previously marked as Exhibit 812B. Again, it's</p> <p>15 a cover e-mail from you and an attached</p> <p>16 spreadsheet. Take a moment to look at the</p> <p>17 document and let me know when you're done.</p> <p>18 A. Okay.</p> <p>19 Q. In your cover e-mail, which is dated</p> <p>20 Friday, November 14, to Kevin Jhea, Elly Pu and</p> <p>21 others, titled "Haircut" or subject "Haircut,"</p> <p>22 do you see that?</p> <p>23 A. Uh-huh.</p> <p>24 Q. Yes?</p> <p>25 A. Yes.</p>	<p>1 Teague</p> <p>2 Q. And you are asking them to provide</p> <p>3 data to support the bid/offer assumptions on the</p> <p>4 Liquidity tab for agencies. Do you see that?</p> <p>5 A. Yes, for all of the tabs that they</p> <p>6 provided the independent analysis of agencies</p> <p>7 was Kevin, corporates was Kevin Jhea, Elly did</p> <p>8 munis, and Heidi Su handled the emerging</p> <p>9 markets.</p> <p>10 Q. I'm sorry, I misread that. You're</p> <p>11 absolutely right. So you're asking for data to</p> <p>12 support bid/offer assumptions for agencies,</p> <p>13 corporates, munis, and emerging markets?</p> <p>14 A. Yes.</p> <p>15 Q. And is that because PwC has made that</p> <p>16 request of you to get that backup data?</p> <p>17 A. I don't recall.</p> <p>18 Q. Now, further down in your e-mail you</p> <p>19 state, "Suggestions: Base it off real market</p> <p>20 data if available." Do you see that? What did</p> <p>21 you mean by that?</p> <p>22 A. The initial analysis we knew that</p> <p>23 there would be -- there was very limited broker</p> <p>24 quotes or true market information as far as</p> <p>25 market activities involving -- for instance, for</p>

<p style="text-align: right;">Page 206</p> <p>1 Teague</p> <p>2 emerging markets, we did have runs which we were</p> <p>3 able to see through Bloomberg where brokers were</p> <p>4 sending out runs for that data and that data was</p> <p>5 then used as part of the analysis for EM on how</p> <p>6 the bid/offer would be viewed.</p> <p>7 We didn't really have such data for</p> <p>8 other asset classes. So for other asset classes</p> <p>9 when the data was not ready available, we relied</p> <p>10 more on vendor data versus broker data or, you</p> <p>11 know, other dealer runs.</p> <p>12 Q. I guess what I'm trying to understand</p> <p>13 from the cover e-mail is, did you have bid/offer</p> <p>14 assumptions in the Liquidity tab already in</p> <p>15 place by November 14 and you were looking for a</p> <p>16 backup for those assumptions, or were you</p> <p>17 looking to come up with a bid/offer assumptions</p> <p>18 to be included in the Liquidity tab?</p> <p>19 A. I think it was we had -- sorry, could</p> <p>20 you restate the question?</p> <p>21 Q. I'm trying to understand what your</p> <p>22 suggestion is directed to. Maybe if we can pull</p> <p>23 up the native version of this document.</p> <p>24 As of this point in time, November 14,</p> <p>25 2008, did you already have assumptions in your</p>	<p style="text-align: right;">Page 207</p> <p>1 Teague</p> <p>2 Liquidity tab and what you were suggesting is</p> <p>3 ways to back up those assumptions, or are you</p> <p>4 suggesting ways to come up with assumptions to</p> <p>5 be included in the Liquidity tab?</p> <p>6 A. I don't believe, and we can look at</p> <p>7 the file, I don't believe --</p> <p>8 Q. We just pulled up the Liquidity tab of</p> <p>9 the attached spreadsheet.</p> <p>10 A. And this is as of what date?</p> <p>11 Q. Well, this is from the file that</p> <p>12 you're looking at, so this is --</p> <p>13 A. This is November 14.</p> <p>14 Q. A native version of 812B and that is</p> <p>15 as of November 14, 2008. And the Liquidity tab</p> <p>16 has entries for the Liquidity Percentage column?</p> <p>17 A. Okay.</p> <p>18 Q. Do you see that?</p> <p>19 A. Yes.</p> <p>20 Q. And turning your attention back to the</p> <p>21 suggestions that you're making to the team, are</p> <p>22 you asking for backup for those percentages, or</p> <p>23 are you asking them to go do work to add</p> <p>24 additional bid/offer assumptions on the</p> <p>25 liquidity table?</p>
<p style="text-align: right;">Page 208</p> <p>1 Teague</p> <p>2 A. This analysis had been performed at</p> <p>3 that time. I think we're just looking for -- I</p> <p>4 think we're just looking for something to refine</p> <p>5 the process of what was in place.</p> <p>6 Q. Okay. So I understand, then, that you</p> <p>7 already had your bid/offer assumptions; you were</p> <p>8 going back and looking for support for those</p> <p>9 assumptions?</p> <p>10 A. I believe some of the assumptions</p> <p>11 changed based on further analysis, but yes.</p> <p>12 Q. Do you know that, or are you just</p> <p>13 guessing that the assumptions changed based on</p> <p>14 further analysis?</p> <p>15 A. It was -- it was part of the overall</p> <p>16 process. We just, you know, to substantiate the</p> <p>17 initial bid/offer that was summarized on this</p> <p>18 page was to ensure that, you know, the dataset,</p> <p>19 you know, we had the dataset to support this</p> <p>20 file. So that was really what the request was</p> <p>21 for. And if there was any issues on how the</p> <p>22 initial dataset was derived, it should, you</p> <p>23 know, they should follow it following logical</p> <p>24 hierarchy to ensure that they have proper</p> <p>25 dataset.</p>	<p style="text-align: right;">Page 209</p> <p>1 Teague</p> <p>2 Q. Well, that's what I'm trying to</p> <p>3 understand is the process question. If you had</p> <p>4 a dataset here where you had bid/offer</p> <p>5 assumptions, you had based those assumptions on</p> <p>6 data, correct?</p> <p>7 A. Yes, there was -- there was some data</p> <p>8 out there already. For instance, I know on</p> <p>9 corporates we had some data and it was -- it was</p> <p>10 essentially already in place. I can't speak for</p> <p>11 the other asset types, but ...</p> <p>12 Q. Well, was your direction to the team</p> <p>13 or your suggestion to the team to go back and</p> <p>14 try and find real market data to support the</p> <p>15 assumptions that you had already made?</p> <p>16 A. No, it was really more the -- the</p> <p>17 dataset, there was already -- there was already</p> <p>18 assumptions being made. They weren't just made.</p> <p>19 They were made out of, you know, be it consensus</p> <p>20 data or market data, but this was a means to get</p> <p>21 people to actually put some -- pull all their</p> <p>22 ideas together.</p> <p>23 At this moment when they gave me their</p> <p>24 names, a lot of the numbers I had received from</p> <p>25 people was more just a haircut number. I didn't</p>

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<p>1 Teague</p> <p>2 have any supporting documentation for where the</p> <p>3 individuals had done any analysis. So this was</p> <p>4 a means to ask everybody to come up with</p> <p>5 something that supports what they were providing</p> <p>6 me.</p> <p>7 In general, keep in mind people within</p> <p>8 the team have a view of the market because they</p> <p>9 perform independent analysis, but having a view</p> <p>10 did not mean they have supporting documentation</p> <p>11 to provide me. So any documentation that they</p> <p>12 may have used was thin, so I needed actual</p> <p>13 supportable documentation.</p> <p>14 Q. Okay. So you asked them to go back</p> <p>15 and substantiate their view of their respective</p> <p>16 markets by getting supporting documentation, is</p> <p>17 that --</p> <p>18 MR. HUME: Objection.</p> <p>19 Q. Is that what you're doing with the</p> <p>20 suggestion that you're making to them?</p> <p>21 MR. HUME: Objection.</p> <p>22 Mischaracterizes the testimony.</p> <p>23 A. Can you ask the question again?</p> <p>24 (Record read.)</p> <p>25 A. I'm asking them to support the</p>	<p>1 Teague</p> <p>2 bid/offer assumptions that were being utilized.</p> <p>3 The bid/offer assumptions would have been</p> <p>4 directed from the individuals within the team.</p> <p>5 Q. Once you had these bid/offer</p> <p>6 assumptions and you had obtained supporting data</p> <p>7 and information from the various team members,</p> <p>8 do you recall being part of any process where</p> <p>9 those assumptions were tested against particular</p> <p>10 CUSIPs to which they were being applied to see</p> <p>11 if it made sense?</p> <p>12 A. The analysis for the bid/offer was</p> <p>13 performed at the asset level utilizing</p> <p>14 supporting documentation of, again, datasets</p> <p>15 that was readily available, be it market data or</p> <p>16 vendor pricing data, and that data was used to</p> <p>17 derive what the bid would be, looking at it from</p> <p>18 an asset type because there was a limited amount</p> <p>19 of data to do a full-on analysis any lower than</p> <p>20 that.</p> <p>21 So if we had readily available data,</p> <p>22 it was a properly functioning marketplace. That</p> <p>23 would be much easier to go down a road where</p> <p>24 you're looking at readily available market data</p> <p>25 but really in a market where that type of data</p>
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<p>1 Teague</p> <p>2 wasn't readily available.</p> <p>3 Q. Having done that, having decided to do</p> <p>4 this on an asset class or product class basis,</p> <p>5 did you then go and see how the application of</p> <p>6 that type of an asset-wide approach affected the</p> <p>7 valuation of the particular CUSIPs?</p> <p>8 A. On CUSIP level you may see swings,</p> <p>9 wherein at one CUSIP it would overvalue and</p> <p>10 another CUSIP it would undervalue that</p> <p>11 bid/offer. But again, this was performed on an</p> <p>12 asset level, so by going down to the CUSIP level</p> <p>13 may only confuse the conversation further at</p> <p>14 times because you could cherry-pick one and not</p> <p>15 look at the other side of the picture.</p> <p>16 Q. Just so I understand your answer,</p> <p>17 then, if we are looking at particular CUSIPs</p> <p>18 then, your view is that your liquidity</p> <p>19 adjustment may over-correct or under-correct the</p> <p>20 value of any particular CUSIP, because your view</p> <p>21 is, taken together as an asset class, those</p> <p>22 differences even out?</p> <p>23 A. They should even out. There should</p> <p>24 not be any significant issues because it's done</p> <p>25 on the asset class level and these are quite</p>	<p>1 Teague</p> <p>2 large portfolios or quite large -- apologies --</p> <p>3 it's a quite large population.</p> <p>4 So in that sense it would be easy to,</p> <p>5 again, cherry-pick a specific CUSIP in a large</p> <p>6 number of CUSIPs and say, well, it doesn't work</p> <p>7 for here without performing a full analysis that</p> <p>8 has it performed everywhere.</p> <p>9 Q. Did you do that type of analysis,</p> <p>10 where you looked to see, okay, now that we have</p> <p>11 picked an adjustment for an asset class or</p> <p>12 product type, let's see what impact it actually</p> <p>13 has on the particular CUSIPs that we have that</p> <p>14 we are valuing?</p> <p>15 A. By going the CUSIP level, again, I</p> <p>16 don't think it may tell you the full set of</p> <p>17 information. Why -- what may work at a higher</p> <p>18 level may not work at the CUSIP level.</p> <p>19 Q. I understand it may or may not work at</p> <p>20 a CUSIP level, but did you do any analysis to</p> <p>21 determine that it did not work at the CUSIP</p> <p>22 level?</p> <p>23 A. That analysis will reveal different</p> <p>24 results based on your sample set, which is why</p> <p>25 I'm stating it has to be more high level.</p>

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<p>1 Teague</p> <p>2 Q. Did you do any such analysis?</p> <p>3 A. No, any such signals to determine on a</p> <p>4 CUSIP level, again, would not have proven much</p> <p>5 to me because I would have to, you know, it</p> <p>6 would really depend on the sample set that one</p> <p>7 chose.</p> <p>8 The analysis itself, the backup</p> <p>9 analysis was performed using quite a number of</p> <p>10 CUSIPs, depending on the asset class, so there</p> <p>11 was already a large population which was used as</p> <p>12 the -- as a means for deriving the bid/offer.</p> <p>13 So then if you stayed to it from that</p> <p>14 perspective and then apply that thought process</p> <p>15 to a asset class, it should be much more in line</p> <p>16 in trying to delve into a CUSIP-by-CUSIP.</p> <p>17 If that data, again, was readily</p> <p>18 available, then that would be a logical thing in</p> <p>19 an extremely liquid marketplace where all the</p> <p>20 data is available.</p> <p>21 Q. Let's go back to Exhibit 864, which</p> <p>22 was an e-mail exchange that you had with Paul --</p> <p>23 I think it was Copson, Paul Copson on Pine and</p> <p>24 Giants Stadium. We talked about the Giants</p> <p>25 Stadium part of it. I want to go back and talk</p>	<p>1 Teague</p> <p>2 about the Pine part of it.</p> <p>3 The number is 864.</p> <p>4 A. Yes.</p> <p>5 Q. Again, this e-mail chain begins with</p> <p>6 Paul Copson asking for an explanation on the</p> <p>7 markup from Pine and Giants Stadium?</p> <p>8 A. Yes.</p> <p>9 Q. Correct? And we talked about Giants</p> <p>10 Stadium. Briefly, what was the reason why the</p> <p>11 Pine security was marked up between the</p> <p>12 acquisition date and the year-end?</p> <p>13 A. A lot of that I believe had to do with</p> <p>14 legal reasoning. There was questions over</p> <p>15 potential issues that the Pine CDO needing to</p> <p>16 fund itself in the sense where the underlying</p> <p>17 assets and the underlying structure should be</p> <p>18 providing the funding for the portfolio, but the</p> <p>19 commercial paper was Lehman's CP and Lehman's CP</p> <p>20 was in default. They were part of the</p> <p>21 bankruptcy.</p> <p>22 So the question was, you know, where</p> <p>23 would there be any future payments coming out of</p> <p>24 the -- out of Lehman's CP where that could help</p> <p>25 fund. If Lehman were not to fund, then by -- I</p>
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<p>1 Teague</p> <p>2 wouldn't say default, not to get confused with</p> <p>3 the other word "default," but in a sense, we as</p> <p>4 a firm are the super senior holder. If there</p> <p>5 was nobody else putting money into the deal and</p> <p>6 there was no way to unlock the money that was in</p> <p>7 the deal, would most likely have to provide</p> <p>8 funding due to the fact that this, this note, to</p> <p>9 take a step back, was designed strictly as a</p> <p>10 repo. This note was never designed for sale</p> <p>11 based on reviewing the assets in the note.</p> <p>12 It's an extremely lumpy CDO. 20</p> <p>13 percent of the note consisted of Archstone. You</p> <p>14 don't usually design a CDO where one name makes</p> <p>15 up 20 percent of the note. I believe, looking</p> <p>16 back in the e-mail, two-thirds of the note was</p> <p>17 12 positions. Again, not the structure you</p> <p>18 usually would use to create a CDO or a structure</p> <p>19 you would use to try to repo out. I'll use as</p> <p>20 repo paper, in theory, see if one of the -- like</p> <p>21 BoNY would potentially mark it to par based on</p> <p>22 what you're telling them, but this structure</p> <p>23 itself had no natural buyer.</p> <p>24 So through the repo, when we acquired</p> <p>25 this, you're looking at an asset that the</p>	<p>1 Teague</p> <p>2 underlying positions were -- sorry, were</p> <p>3 revolvers, meaning they needed to be funded.</p> <p>4 The majority of this was positions</p> <p>5 that required funding. In this marketplace,</p> <p>6 just say XYZ firm has a revolver loan within</p> <p>7 this CDO. They could just go and ask for money.</p> <p>8 At such a time where nobody is giving out money,</p> <p>9 where banks are not loaning money, this is a</p> <p>10 credit card, an open credit card for them.</p> <p>11 Q. Was it your --</p> <p>12 A. So if they were to draw down on this,</p> <p>13 we as a firm could potentially be issued,</p> <p>14 because we could be the -- we wouldn't want to</p> <p>15 cause any valuation issues for the underlying</p> <p>16 that could be in here.</p> <p>17 So if XYZ firm, if everybody wanted to</p> <p>18 draw done and there was nobody to draw down on</p> <p>19 it, we may have to provide that funding if you</p> <p>20 look at it from the perspective you don't want</p> <p>21 the values of those underlying positions</p> <p>22 getting -- getting eroded further. So any loans</p> <p>23 within there would get drastically eroded, any</p> <p>24 of those firm would get drastically eroded if</p> <p>25 they were unable to access funding.</p>

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<p>1 Teague</p> <p>2 So all of this became cleared up from</p> <p>3 my perspective or more so from the, you know,</p> <p>4 legal perspective of what, you know, what the</p> <p>5 firm could potentially be on the hook for after</p> <p>6 the event of default trigger.</p> <p>7 Basically, put the 367 million, I</p> <p>8 believe, in the -- would be accessible or would</p> <p>9 be pledged, I guess, to the super senior holder,</p> <p>10 meaning Barclays would have access to that money</p> <p>11 at a super senior holder; and it basically</p> <p>12 terminated, from my understanding, the</p> <p>13 requirement of the CDO to provide funding,</p> <p>14 revolving funding to any of the underlying</p> <p>15 assets within the portfolio.</p> <p>16 Q. What was the EOD trigger?</p> <p>17 A. The event of default trigger was</p> <p>18 sometime in October, where I think Lehman --</p> <p>19 Lehman missed a payment period. I'm not quite</p> <p>20 sure.</p> <p>21 Q. Was the bankruptcy of Lehman an EOD</p> <p>22 trigger?</p> <p>23 A. In and of itself, no, I don't believe</p> <p>24 it was.</p> <p>25 Q. Do you know that one way or the other?</p>	<p>1 Teague</p> <p>2 A. As the EOD didn't happen until</p> <p>3 October, I believe that would not have been the</p> <p>4 trigger because the EOD didn't happen until time</p> <p>5 in October.</p> <p>6 Q. So the EOD you're talking about</p> <p>7 happened in October, but you don't know one way</p> <p>8 or the other if the deal documents have an EOD</p> <p>9 trigger of the Lehman bankruptcy?</p> <p>10 A. If the deal documents had that, then I</p> <p>11 would imagine that in and of itself would have</p> <p>12 been the EOD trigger, not the October event.</p> <p>13 But again, yes, I do not know the specifics of</p> <p>14 that aspect to comment.</p> <p>15 Q. At the time the initial decision was</p> <p>16 made to have the Pine CLO valued at a value</p> <p>17 placed on it, which was roughly the 50s,</p> <p>18 correct?</p> <p>19 A. That's correct.</p> <p>20 Q. As of the acquisition date, that</p> <p>21 decision was made on the basis of your analysis</p> <p>22 of deal documents? Did you study the deal</p> <p>23 documents to do that?</p> <p>24 A. There was three different -- the front</p> <p>25 office spent more time working on the deal</p>
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<p>1 Teague</p> <p>2 document aspect. That was Jasen Yang.</p> <p>3 My analysis was performed mostly based</p> <p>4 on the underlying assets themselves and</p> <p>5 reviewing if there was any potential</p> <p>6 repercussions if the deal does not continue to</p> <p>7 perform as expected. The part of my analysis,</p> <p>8 which is, you know, where I could see that there</p> <p>9 must be some, you know, legal risk out there,</p> <p>10 was post -- post Lehman's default. You know,</p> <p>11 the Pine went from highly rated to double C.</p> <p>12 So at that point in time, you know,</p> <p>13 Standard & Poors was of the view that, due to</p> <p>14 the bankruptcy, there's definitely a lot of</p> <p>15 unknowns in this deal which would result again</p> <p>16 in a, you know, in a pricing haircut to a deal</p> <p>17 where you priced the underlying, all the</p> <p>18 underlying that's outstanding is (A) lumpy and</p> <p>19 (B) the prices are usually coming from a</p> <p>20 consensus pricing service. The only pricing</p> <p>21 provider for said consensus pricing service is</p> <p>22 possibly Lehman.</p> <p>23 So you're relying on Lehman to tell</p> <p>24 you the price of the underlying and you're</p> <p>25 relying on S&P to tell you now that this is</p>	<p>1 Teague</p> <p>2 double C, there's also a huge legal aspects on</p> <p>3 top of the pricing aspects you're already</p> <p>4 worried about.</p> <p>5 Q. All of these questions and</p> <p>6 uncertainties you had about Pine, those all --</p> <p>7 you got more information about that as time went</p> <p>8 on, correct?</p> <p>9 A. Yes.</p> <p>10 Q. And by the time you reported the final</p> <p>11 acquisition balance sheet in February 2009, the</p> <p>12 value of Pine had already been written up on the</p> <p>13 books of Barclays, correct?</p> <p>14 A. Yes, that's the case.</p> <p>15 Q. Had written up to what value?</p> <p>16 A. I can't say for --</p> <p>17 Q. Was it written back up to par?</p> <p>18 A. No.</p> <p>19 Q. What was it written back up to?</p> <p>20 A. It was I believe in the 70s by end of</p> <p>21 the year.</p> <p>22 Q. Was there any discussion within the</p> <p>23 IPV as to whether, given all you knew about the</p> <p>24 Pine CLO, whether it was still appropriate to</p> <p>25 list for acquisition date purposes a value that</p>

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<p>1 Teague</p> <p>2 was in the 50s as opposed to 70s or higher?</p> <p>3 A. Based on the data available, again, I</p> <p>4 don't think it would be appropriate to take in</p> <p>5 data considering, again, the event of default</p> <p>6 trigger that happened later in October and any</p> <p>7 clarity as far as whose responsibilities it</p> <p>8 would have been. You need to like take a view</p> <p>9 what would happen if I acquired this asset</p> <p>10 today, which is exactly what happened; what</p> <p>11 would it be worth on the street to anyone with</p> <p>12 all of these legal unknowns.</p> <p>13 Q. What you were valuing for purposes of</p> <p>14 the acquisition balance sheet is what the A-1</p> <p>15 notes were worth as of the acquisition date,</p> <p>16 correct?</p> <p>17 A. That's correct, but by reviewing the</p> <p>18 pricing of the underlying assets.</p> <p>19 Q. And in addition to reviewing the</p> <p>20 pricing of the underlying assets, you also</p> <p>21 factored in the risk, in your words, that the</p> <p>22 A-1s might have to fund or provide funding on</p> <p>23 the revolving notes that were included in the</p> <p>24 CLO, correct?</p> <p>25 MR. HUME: Objection. Lacks</p>	<p>1 Teague</p> <p>2 foundation. Misstates the testimony.</p> <p>3 A. The risk was just an overall legal</p> <p>4 risk in the sense that, with the double C</p> <p>5 rating, who knew what responsibility Lehman</p> <p>6 would have in their -- within the deal. And</p> <p>7 again, this is from S&P perspective. If S&P</p> <p>8 downgraded the deal to double C, there's a lot</p> <p>9 of red flags there. It's not something we're in</p> <p>10 the marketplace and you could readily trade a</p> <p>11 double C asset because there would be a lot of</p> <p>12 legal risks and it would be perceived as legal</p> <p>13 risks throughout the marketplace. So that would</p> <p>14 bring down the market value that much further.</p> <p>15 Q. My question is a lot simpler and</p> <p>16 narrower. Including in your pricing assumptions</p> <p>17 for pricing as of the acquisition date you</p> <p>18 included some factor or discount for these legal</p> <p>19 risks that Barclays may have to provide funding</p> <p>20 on the revolvers; is that correct?</p> <p>21 MR. HUME: Objection. Vague and</p> <p>22 ambiguous.</p> <p>23 A. It would be part of the overall</p> <p>24 thought process of the rating agencies basically</p> <p>25 downgrading this almost to D because there is</p>
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<p>1 Teague</p> <p>2 legal questions on, you know, how this deal</p> <p>3 would basically happen. Until the EOD trigger</p> <p>4 occurred in October, there was a lot of legal</p> <p>5 questions. There was no clarity.</p> <p>6 There's not a lot of history previous</p> <p>7 to this where you could just say what happened</p> <p>8 when XYZ firm put together a document strictly</p> <p>9 for repo purposes that they were holding all the</p> <p>10 bottom tranches and now they're in default.</p> <p>11 Q. Again, my question is not what</p> <p>12 analysis the rating agencies went through. I'm</p> <p>13 only asking what you analysis you went through</p> <p>14 at Barclays. When you went through the analysis</p> <p>15 at Barclays, trying to value this as of the</p> <p>16 acquisition date, you included in your analysis</p> <p>17 some discount or some haircut --</p> <p>18 A. Yes.</p> <p>19 Q. -- for the legal risk associated with</p> <p>20 the possibility of having to fund the revolver,</p> <p>21 correct?</p> <p>22 MR. HUME: Objection. Vague and</p> <p>23 ambiguous.</p> <p>24 A. Going back to, completely unrelated,</p> <p>25 we have had SIVs in our books of the bank that</p>	<p>1 Teague</p> <p>2 have gone through restructuring. Anytime you</p> <p>3 have a major restructuring where the underlying</p> <p>4 assets are not liquid, you can expect to see</p> <p>5 further haircuts.</p> <p>6 If the restructuring is set up in such</p> <p>7 a manner where the Court decides to do something</p> <p>8 that was not originally anticipated in the case</p> <p>9 of the SIVs, what they did was wrap up all the</p> <p>10 different assets and sold them in small pools.</p> <p>11 That resulted in a larger discount to the</p> <p>12 underlying asset.</p> <p>13 So if something of that nature were to</p> <p>14 occur, not knowing how the courts would decide</p> <p>15 this one, similarly nobody knew how the court</p> <p>16 would decide the SIVs. You have a legal aspect.</p> <p>17 We have a large writedown on your books. At</p> <p>18 that point in time we took 15 to 20 dollar</p> <p>19 writedowns due to the SIVs that were</p> <p>20 restructured.</p> <p>21 So, not knowing how the judge would</p> <p>22 decide how to handle this case, when we went</p> <p>23 through an EOD trigger, there was a serious</p> <p>24 potential for large writedowns.</p> <p>25 Q. And what you're telling me is that was</p>

<p style="text-align: right;">Page 226</p> <p>1 Teague</p> <p>2 the analysis and thought process you went</p> <p>3 through in deciding what value to ascribe to</p> <p>4 Pine as of the acquisition date; is that</p> <p>5 correct?</p> <p>6 A. That is correct. That is part of the</p> <p>7 analysis we did.</p> <p>8 Q. And who did that analysis? Was that</p> <p>9 you? Was that someone else?</p> <p>10 A. For Pine there was three different</p> <p>11 analyses performed. There was one within IVC.</p> <p>12 Jasen Yang performed the analysis from the front</p> <p>13 office perspective, which I believe you already</p> <p>14 would have. And there was an analysis performed</p> <p>15 by DPWC in reference to the analysis that was</p> <p>16 performed by IVC as well as the analysis</p> <p>17 performed by Jasen Yang.</p> <p>18 Q. When you say the analysis performed by</p> <p>19 PwC?</p> <p>20 A. They just did an overall -- I wouldn't</p> <p>21 saw cursory -- an overall review of the pricing</p> <p>22 that was independent pricing as well as the</p> <p>23 front office pricing and opined that it seemed</p> <p>24 to be reasonable.</p> <p>25 Q. They basically looked to see what work</p>	<p style="text-align: right;">Page 227</p> <p>1 Teague</p> <p>2 you had done and what work Jasen Yang had done?</p> <p>3 A. Yes.</p> <p>4 Q. They didn't do an independent</p> <p>5 analysis, correct?</p> <p>6 A. Yeah, I couldn't say. It was more a</p> <p>7 review to state that if the analysis was</p> <p>8 appropriate.</p> <p>9 Q. Did you also discuss with PwC the fact</p> <p>10 that you got later written up the value of Pine,</p> <p>11 of the Pine CLO on Barclays' books?</p> <p>12 A. Any subsequent write-ups, PwC would</p> <p>13 have been privy to that as far as the opening</p> <p>14 balance sheet and they would have, you know, I'm</p> <p>15 sure there was a couple e-mails and follow-up</p> <p>16 conversations to better understand the trigger</p> <p>17 event. And I believe that was in their final</p> <p>18 review of the Pine assets.</p> <p>19 Q. Was there any Day 1 P&L recorded by</p> <p>20 Barclays in connection with any of the assets</p> <p>21 acquired from Lehman?</p> <p>22 MR. HUME: Objection. Vague and</p> <p>23 ambiguous.</p> <p>24 A. That is more of a Product Control</p> <p>25 question. I couldn't speak to that.</p>
<p style="text-align: right;">Page 228</p> <p>1 Teague</p> <p>2 Q. One of the documents that's been</p> <p>3 produced in this case is a Barclays Capital</p> <p>4 Provisioning Policy Statement. Are you familiar</p> <p>5 with that?</p> <p>6 A. Yes.</p> <p>7 Q. And there's a reference in that</p> <p>8 statement to "Day 1 P&L." Are you familiar with</p> <p>9 that?</p> <p>10 A. Yes, I am. Usually applied for</p> <p>11 derivatives, trading derivatives.</p> <p>12 Q. Are you aware of it applying to</p> <p>13 trading instruments other than derivatives?</p> <p>14 A. It can apply to other instruments.</p> <p>15 Q. I misspoke. The policy is called</p> <p>16 Marking Illiquid & Unobservable Prices. That's</p> <p>17 the title of the policy. I'll show you a copy</p> <p>18 of it and we can talk about it.</p> <p>19 (Deposition Exhibit 871, a document</p> <p>20 bearing Bates Nos. BCI-EX-(S)-00180042</p> <p>21 through 80063, marked for identification, as</p> <p>22 of this date.)</p> <p>23 Q. I have placed before you a document</p> <p>24 marked Exhibit 871. It's titled Marking</p> <p>25 Illiquid & Unobservable Prices (Day 1 P&L</p>	<p style="text-align: right;">Page 229</p> <p>1 Teague</p> <p>2 Recognition)." The date on the front page is</p> <p>3 July 2007. Do you see that?</p> <p>4 A. Yes.</p> <p>5 Q. And generally, are you familiar with</p> <p>6 this document?</p> <p>7 A. Yes.</p> <p>8 Q. And was this a document that featured</p> <p>9 in any way in the independent valuation work</p> <p>10 that you did in connection with the Lehman</p> <p>11 acquisition?</p> <p>12 MR. HUME: Object to the form of the</p> <p>13 question.</p> <p>14 A. I'm sorry, can you ask the question</p> <p>15 again? I'm just trying to review it.</p> <p>16 Q. Why don't you finish reviewing it and</p> <p>17 I'll ask the question again. Let me know when</p> <p>18 you're done.</p> <p>19 (Document review.)</p> <p>20 A. Sorry, what was the question again?</p> <p>21 (Record read.)</p> <p>22 A. Not that I'm aware of. Not for the</p> <p>23 work that I overlooked.</p> <p>24 Q. I guess the next question was, are you</p> <p>25 aware of whether this policy and procedure was</p>

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<p>1 Teague</p> <p>2 used by any of the other folks doing independent</p> <p>3 price valuations?</p> <p>4 A. I cannot speak on their behalf.</p> <p>5 Q. And just so I can get some clarity on</p> <p>6 it, is the reason that this was not something</p> <p>7 relevant to your work is because there was no</p> <p>8 Day 1 P&L that resulted from the valuation that</p> <p>9 you did, or was it for some other reason?</p> <p>10 A. There is no Day 1 P&L that I'm aware</p> <p>11 of for the Lehman opening day balance sheet.</p> <p>12 Q. If there had been Day 1 P&L for the</p> <p>13 Lehman opening day balance sheet, would this</p> <p>14 policy and procedure have been applicable?</p> <p>15 A. I can't speak to that.</p> <p>16 MR. HUME: Objection. Lacks</p> <p>17 foundation.</p> <p>18 A. I can't speak to that.</p> <p>19 Q. Do you know under what circumstances</p> <p>20 this policy and procedure would have been</p> <p>21 applicable?</p> <p>22 A. This policy and procedure is</p> <p>23 applicable when we do a new trade. Again, the</p> <p>24 majority of it is derivatives, and there are a</p> <p>25 lot of -- where there's unobservable data for</p>	<p>1 Teague</p> <p>2 the purposes of inputs to the deal, so input</p> <p>3 pricing parameters, reflect input pricing</p> <p>4 parameters for the Lehman opening balance sheet.</p> <p>5 Q. I missed the end of your answer.</p> <p>6 A. We can show input pricing parameters</p> <p>7 for the Lehman opening balance sheet.</p> <p>8 Q. Okay. So you offered that as a reason</p> <p>9 why this policy would not be applicable to the</p> <p>10 Lehman opening day balance sheet?</p> <p>11 A. For the assets I reviewed, this would</p> <p>12 not be applicable.</p> <p>13 Q. For the assets you reviewed.</p> <p>14 (Recess; Time Noted: 4:40 P.M.)</p> <p>15 (Time Noted: 5:04 P.M.)</p> <p>16 (Deposition Exhibit 872, a document</p> <p>17 bearing Bates Nos. BCI-EX-(S)-00176591</p> <p>18 through 591, with attachment, marked for</p> <p>19 identification, as of this date.)</p> <p>20 (Deposition Exhibit 873, a document</p> <p>21 bearing Bates Nos. PwC-BarCap00008679</p> <p>22 through 80, marked for identification, as of</p> <p>23 this date.)</p> <p>24 BY MR. TAMBE:</p> <p>25 Q. Sir, I'm handing you a document that's</p>
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<p>1 Teague</p> <p>2 been marked Exhibit 873. It's a two-page</p> <p>3 document. If you could take a moment to review</p> <p>4 it. Let me know when you're done.</p> <p>5 (Document review.)</p> <p>6 A. Oh, okay. Okay.</p> <p>7 Q. Drawing your attention to the oldest</p> <p>8 e-mail in the chain, do you recognize that as an</p> <p>9 e-mail from Marcus Morton to you on or about</p> <p>10 December 19, 2008?</p> <p>11 A. Okay. I didn't look at the other</p> <p>12 page. Apologies. One moment.</p> <p>13 (Document review.)</p> <p>14 A. Okay.</p> <p>15 Q. Do you have my question in mind?</p> <p>16 (Record read.)</p> <p>17 A. Yes.</p> <p>18 Q. And was this the earliest point in</p> <p>19 time that someone from Barclays was suggesting</p> <p>20 valuing the portfolio assets the 22nd as opposed</p> <p>21 to the 19th, sir?</p> <p>22 MR. HUME: Objection. Lacks</p> <p>23 foundation.</p> <p>24 A. I can't recall. I believe in some of</p> <p>25 the older documentation the 22nd was part of the</p>	<p>1 Teague</p> <p>2 discussion, but I can't recall.</p> <p>3 Q. It had been part of the discussions,</p> <p>4 but then you had prepared valuations and you</p> <p>5 were preparing spreadsheets that we had looked</p> <p>6 at before which had 9/19 values on them,</p> <p>7 correct?</p> <p>8 A. Yes.</p> <p>9 Q. Do you have an explanation as to why</p> <p>10 Mr. Morton, in or about December 2008, was</p> <p>11 asking and raising the question about doing the</p> <p>12 valuation as of 9/22?</p> <p>13 A. Appears there was more clarity on the</p> <p>14 valuation date in question. There was</p> <p>15 originally quite a bit of confusion. As of this</p> <p>16 date, there was additional clarity, which I take</p> <p>17 it was why I replied to Robert MacGoey to ask</p> <p>18 additional questions to, again, gain further</p> <p>19 clarity.</p> <p>20 Q. Do you know what it was that happened</p> <p>21 in December that gave additional clarity on the</p> <p>22 acquisition date?</p> <p>23 A. That I can't speak to.</p> <p>24 Q. Did you ask Mr. Morton that?</p> <p>25 A. No, I believe it was -- I really can't</p>

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<p>1 Teague</p> <p>2 speak to specifics. It was just that was the --</p> <p>3 the 9/22 was the final date. So, from my</p> <p>4 perspective, it seemed logical that 9/22 was the</p> <p>5 date for which to value the assets, but I'm not</p> <p>6 the best person to speak to on this question</p> <p>7 because I wasn't really involved in the thought</p> <p>8 process of why 9/22 versus 9/19.</p> <p>9 Q. Who would be the best person to speak</p> <p>10 to on this?</p> <p>11 A. I guess being based on this e-mail</p> <p>12 would be possibly Marcus Morton or Robert</p> <p>13 MacGoey could provide better clarity.</p> <p>14 Q. Was the decision to pick 9/22 as</p> <p>15 opposed to 9/19 valuations, was that made at the</p> <p>16 Patrick Clackson level or higher levels of the</p> <p>17 bank? Where was that decision made?</p> <p>18 MR. HUME: Objection. Lacks</p> <p>19 foundation.</p> <p>20 A. I don't have the ability to speak to</p> <p>21 that. Again, I would say, from my perspective,</p> <p>22 it was just more, you know, the information that</p> <p>23 was brought to my attention. It was not</p> <p>24 something I was involved in the discussions.</p> <p>25 Q. And that's not something you asked Mr.</p>	<p>1 Teague</p> <p>2 Morton, where this direction comes from?</p> <p>3 A. Again, based on the e-mail, the</p> <p>4 follow-up e-mail, it's more me reaching out to</p> <p>5 Robert MacGoey to get more clarity. That was my</p> <p>6 attempt to gain more clarity.</p> <p>7 Q. So are you telling me that, other than</p> <p>8 sending on this e-mail to Robert MacGoey, you</p> <p>9 did not respond to Mr. Morton by asking him why</p> <p>10 the change, what's the rationale behind the 9/22</p> <p>11 move?</p> <p>12 A. Again, I believe the rationale had</p> <p>13 more to do with, if it was as of September 22,</p> <p>14 looking at the earlier e-mails, then the best</p> <p>15 reflection of the valuation would be as of</p> <p>16 September 22 because the acquisition was as of</p> <p>17 the morning, I believe, of the 22nd.</p> <p>18 Q. Prior to the open of the 22nd.</p> <p>19 A. Yes, and there's really no way to</p> <p>20 easily -- the Friday value would not be</p> <p>21 reflective of any additional market movements</p> <p>22 that could have happened over the weekend, be</p> <p>23 it, you know, Asia is open and Europe is open</p> <p>24 before the U.S. is open. So any snapshot you</p> <p>25 would try to take as of Monday morning, no one</p>
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<p>1 Teague</p> <p>2 really provides that type of data from the</p> <p>3 vendors. So the thought process is you could</p> <p>4 use the end of day data to reflect 9/22.</p> <p>5 Q. In responding to Marcus Morton, did</p> <p>6 you try to collect any data over the weekend or</p> <p>7 any preopening data from the morning of the</p> <p>8 22nd?</p> <p>9 A. In all honesty, there's no such data</p> <p>10 available from the vendors. No data -- no</p> <p>11 vendor runs a morning opening price. That's not</p> <p>12 something that you can readily get from the</p> <p>13 vendors. They run the end of day price.</p> <p>14 Q. So that's not something you tried to</p> <p>15 obtain; is that right?</p> <p>16 A. It's not something that could be</p> <p>17 obtained. It's not a question of tried to</p> <p>18 obtain. One is unable to obtain opening vendor</p> <p>19 level.</p> <p>20 Q. Turning to the first page of the</p> <p>21 exhibit, which is Robert MacGoey's e-mail to</p> <p>22 you, did you have any discussions with Robert</p> <p>23 MacGoey in response to this e-mail? Did you</p> <p>24 call him up, talk to him about any of the points</p> <p>25 that he had raised in this e-mail?</p>	<p>1 Teague</p> <p>2 A. One moment.</p> <p>3 (Document review.)</p> <p>4 A. I think any discussions to the effect</p> <p>5 was more so a review of the, as stated here, the</p> <p>6 bid/offer analysis that we had performed. At</p> <p>7 this point in time, we had used the, for</p> <p>8 instance, for the corporates, there was a, I</p> <p>9 believe a standard deviation of pricing vendors</p> <p>10 that was reviewed in light of the commentary of</p> <p>11 PwC.</p> <p>12 Q. And after you reviewed it in light of</p> <p>13 commentary from PwC, what did you do?</p> <p>14 A. We reviewed in place of a standard</p> <p>15 deviation of movings to capture the bid price to</p> <p>16 utilize the lowest price available from the</p> <p>17 vendors, as the market was again falling between</p> <p>18 the original date and the 9/22 date.</p> <p>19 Q. Just so I understand your answer, in</p> <p>20 response to this commentary from PwC, you moved</p> <p>21 from taking the lowest price to -- you moved to</p> <p>22 taking the lowest price from using the standard</p> <p>23 deviation approach?</p> <p>24 A. That is correct.</p> <p>25 MR. TAMBE: Thank you. I have no</p>

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<p>1 Teague 2 further questions. 3 EXAMINATION BY 4 MR. OXFORD: 5 Q. Mr. Teague, I introduced myself 6 earlier on. I'm Neil Oxford. I represent the 7 Trustee in this matter. 8 I want to ask you some questions about 9 the exchange-traded derivatives that Barclays 10 acquired from Lehman, but first of all, 11 independent of the particular derivatives that 12 Barclays acquired from Lehman, can you tell me 13 if in 2008 you had any role in the valuing or 14 price testing of Barclays' exchange-traded 15 derivatives? 16 A. No, that was actually handled within 17 the equities IVC team. 18 Q. And who is responsible for that? 19 A. That was Mark Washtell. 20 Q. Did you, prior to 19 -- sorry, prior 21 to 2008, have you had any responsibility within 22 Barclays for valuing Barclays' exchange-traded 23 derivatives? 24 A. No. 25 Q. Did you have any role in valuing the</p>	<p>1 Teague 2 exchange-traded derivatives that Barclays 3 acquired from Lehman in the fall of 2008? 4 A. No, I did not. 5 Q. Do you know who was? 6 A. All the exchange-traded derivatives 7 were valued within, again, the IVC equities 8 team. 9 Q. And to your knowledge, that's Mark 10 Washtell who is responsible for that? 11 A. That is correct. 12 Q. Can I ask you to take a look at a 13 document I marked as Exhibit 872. 14 A. Yes. 15 Q. We looked at a similar document -- 16 A. Yes. 17 Q. -- when Mr. Tambe was asking you 18 questions earlier today. 19 A. Yes. 20 Q. You'll see that this document has a 21 spreadsheet attached. Could you take a look at 22 the spreadsheet? 23 A. Sure. 24 Q. Do you recognize the spreadsheet 25 attached to that document?</p>
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<p>1 Teague 2 A. Yes, I do. 3 Q. Is that something that you created, 4 sir? 5 A. This is something I consolidated, yes. 6 I was basically trying to tie out the data LBI 7 gave me to the backup spreadsheets that they 8 provided, and these were the breaks that 9 resulted from trying to reconcile the two sets 10 of data. 11 Q. If you could turn to the e-mail that 12 is on the first page of the exhibit for a 13 moment, sir. 14 A. Yes. 15 Q. You write on the 18th of September, 16 "Hi, Clement. By way of introduction, I work 17 for Marcus Morton at Barclays. I am having 18 difficult tying out the LBI schedule to the 8 19 backup spreadsheets you provided. I have 20 attached a spreadsheet below which highlights 21 the breaks. Can you possible," presumably that 22 was meant to be "possibly," "provide me with had 23 some color on the differences?" Do you see 24 that? 25 A. Yes.</p>	<p>1 Teague 2 Q. When you write to Mr. Bernard saying 3 you attached the spreadsheet highlighting the 4 breaks, that's the spreadsheet that appears on 5 the third page of the exhibit? 6 A. That's correct. 7 Q. You say to Mr. Bernard, "I'm having 8 difficulty tying out the LBI schedule." Do you 9 see that? 10 A. Yes. 11 Q. What's the LBI schedule that you are 12 referring to there? 13 A. This schedule is the summary, this 14 page. Everything -- I believe everything on the 15 top left-hand corner was a snapshot of what they 16 gave us as a summary page. Essentially, it's 17 probably a pivot table to the eight backup files 18 that they ended up providing us. 19 Where I was seeing breaks was when I 20 took this table that you see up top and the 21 bottom portion, you'll see there's eight 22 different sections. I believe those were the 23 eight separate tabs that I was trying to tie 24 back to this summary page that was provided by 25 Clement and his team, and these were the breaks</p>

<p style="text-align: right;">Page 242</p> <p>1 Teague</p> <p>2 I was getting between the numbers in the one</p> <p>3 page versus the numbers on the summary.</p> <p>4 Q. I see. So when you said "top</p> <p>5 left-hand side" a moment ago, sir, can you be a</p> <p>6 little more specific as to what you were</p> <p>7 referring to?</p> <p>8 A. Certainly. It's everything that was</p> <p>9 within the square I believe was what was</p> <p>10 provided to me.</p> <p>11 Q. And by "square," do you mean the</p> <p>12 section of the spreadsheet --</p> <p>13 A. Underneath "per balance sheet group,"</p> <p>14 there's a, what appears to be some sort of pivot</p> <p>15 table or some Excel breakdown.</p> <p>16 Q. And there's a black rectangle that has</p> <p>17 four column headings in it, is that what you're</p> <p>18 referring to?</p> <p>19 A. Yes.</p> <p>20 Q. So it's your testimony, sir, that the</p> <p>21 data that appears immediately below the four</p> <p>22 headings, "GAAP Asset Class 1 Name," "Division,"</p> <p>23 "Long" and "Short" is the summary information</p> <p>24 that Lehman provided to you; is that your</p> <p>25 testimony?</p>	<p style="text-align: right;">Page 243</p> <p>1 Teague</p> <p>2 A. Yes. It could potentially be that</p> <p>3 piece or, in all honesty, it could be the whole</p> <p>4 square in and of itself.</p> <p>5 Q. And by "square" do you mean rectangle,</p> <p>6 sir?</p> <p>7 A. The whole rectangle all the way up to</p> <p>8 the word "file" may have been provided by</p> <p>9 Lehman. The analysis that I remember performing</p> <p>10 is the bottom portion that's outside of the</p> <p>11 rectangle, which is trying to reconcile those</p> <p>12 numbers that show up, the first numbers right</p> <p>13 after the words, to the same name in the GAAP</p> <p>14 Asset Class 1 to determine, on a reconciliation</p> <p>15 perspective, if there is, again, eight</p> <p>16 spreadsheets that tie to this summary sheet by</p> <p>17 name in the GAAP Asset Class 1 Name, what is</p> <p>18 that total versus the total I'm seeing on the</p> <p>19 other spreadsheets.</p> <p>20 Q. So, to the best of your recollection,</p> <p>21 sir, your analysis of the breaks appears in the</p> <p>22 eight lines and the grand total that appear</p> <p>23 outside of the lines on this exhibit, sir?</p> <p>24 A. That is correct.</p> <p>25 Q. Okay. At the top left-hand side, it</p>
<p style="text-align: right;">Page 244</p> <p>1 Teague</p> <p>2 reads "LBI Inventory By GAAP Asset Class and</p> <p>3 BPM." What's BPM?</p> <p>4 A. I have no idea.</p> <p>5 Q. Is that something that came from</p> <p>6 Lehman?</p> <p>7 A. That would be correct.</p> <p>8 Q. Are you familiar with GAAP asset</p> <p>9 classes generally, sir?</p> <p>10 A. Not -- not so much. I mean, if you're</p> <p>11 saying accounting-wise, where I have -- we're in</p> <p>12 National Accounting Standards because we're a</p> <p>13 British bank.</p> <p>14 Q. So you're not familiar with U.S. GAAP?</p> <p>15 A. Not in relation to any of the data on</p> <p>16 this page.</p> <p>17 Q. Do you know whether the category "CDs</p> <p>18 and Other Money Market Instruments" is also</p> <p>19 known as commercial paper?</p> <p>20 A. It would be an assumption, but again,</p> <p>21 I didn't create this spreadsheet.</p> <p>22 Q. I understand that, sir, but if someone</p> <p>23 were to tell you that the "CDs and Other Money</p> <p>24 Market Instruments" were also known as</p> <p>25 commercial paper, would that sound right to you?</p>	<p style="text-align: right;">Page 245</p> <p>1 Teague</p> <p>2 A. It would be logical.</p> <p>3 Q. With respect to the "Corporate</p> <p>4 Obligations and Spots," if that was also known</p> <p>5 as corporate debt, would that sound correct to</p> <p>6 you?</p> <p>7 A. Yes. I'm not sure what "spot" means,</p> <p>8 though.</p> <p>9 Q. And with respect to "Corporate Stocks</p> <p>10 and Options," if that was also known as</p> <p>11 corporate equity, would that sound right to you?</p> <p>12 A. Yes. As with the options, it could</p> <p>13 also be equities and exchange-traded equities.</p> <p>14 Q. Do you know, sir, whether within any</p> <p>15 of the long and short positions reflected in the</p> <p>16 Derivatives row is included any margin that</p> <p>17 relates to exchange-traded derivatives?</p> <p>18 MR. HUME: Objection. Lacks</p> <p>19 foundation.</p> <p>20 A. I couldn't -- couldn't talk to that.</p> <p>21 I don't even -- I'm not even quite sure if you</p> <p>22 went through the whole e-mail chain if there</p> <p>23 was -- if I got a row-by-row reply to this</p> <p>24 e-mail from anybody.</p> <p>25 Q. So you simply don't know one way or</p>

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<p>1 Teague</p> <p>2 the other, sir?</p> <p>3 A. No, I do not.</p> <p>4 Q. Was it your responsibility, sir, to</p> <p>5 tie in each of these GAAP asset classes the</p> <p>6 summary data that you obtained from Lehman to</p> <p>7 the detailed backup spreadsheets that you</p> <p>8 testified to earlier?</p> <p>9 A. Yes. So the logic was we were going</p> <p>10 to be getting delivered assets and here's the</p> <p>11 totals of those assets, and then Clement was</p> <p>12 sending all the backup files and my</p> <p>13 responsibility in respect to this particular</p> <p>14 function was to make sure that they actually</p> <p>15 made some sense to the backup files.</p> <p>16 Q. And were you able to determine --</p> <p>17 A. Based on the e-mail, the answer is not</p> <p>18 so much.</p> <p>19 Q. And independent of the e-mail, sir?</p> <p>20 A. There was some breaks. I had sent</p> <p>21 Clement an e-mail to see if somebody could</p> <p>22 clarify what those breaks were. They appeared</p> <p>23 to be related to derivatives. Many of the</p> <p>24 derivatives that could have been on the Lehman</p> <p>25 balance sheet would not be something that would</p>	<p>1 Teague</p> <p>2 be transferred over to Barclays.</p> <p>3 Apologies. I can't really speak much</p> <p>4 further because I don't know if anyone at Lehman</p> <p>5 provided me a reply to these requests.</p> <p>6 Q. And what is it from the information</p> <p>7 that relates to derivatives on the spreadsheet</p> <p>8 that is the basis for your answer that many of</p> <p>9 these appear to be derivatives that were not to</p> <p>10 be transferred to Barclays?</p> <p>11 A. So on number 2, is there a reason why</p> <p>12 we didn't get a spreadsheet for "Total Derivs.</p> <p>13 and Other Contr, Total," essentially we were</p> <p>14 supposed to get that number from them because</p> <p>15 that would just help reconcile to two</p> <p>16 spreadsheets to each other. So I just didn't,</p> <p>17 out of the eight backup files, I was missing</p> <p>18 that backup file to perform a reconciliation as</p> <p>19 for number 2.</p> <p>20 Q. And did you ever receive that file,</p> <p>21 sir?</p> <p>22 A. Not to my knowledge.</p> <p>23 Q. Do you know whether anybody at</p> <p>24 Barclays ever received such file?</p> <p>25 A. I wouldn't know.</p>
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<p>1 Teague</p> <p>2 Q. Who asked you to undertake this</p> <p>3 reconciliation process, sir?</p> <p>4 A. Most likely Marcus Morton at the time</p> <p>5 we were trying to determine what assets were</p> <p>6 coming onto the balance sheet. You can't</p> <p>7 price-test anything if you don't know what</p> <p>8 you're getting, so the first step is let's see</p> <p>9 what we're getting in the door. And the first</p> <p>10 step didn't make any sense if we didn't know</p> <p>11 what we were getting in the doors and they sent</p> <p>12 us a summary that didn't line up with the backup</p> <p>13 file.</p> <p>14 Q. Does the spreadsheet that's attached</p> <p>15 to Exhibit 872 reflect in any way what Barclays</p> <p>16 understood that it was to be receiving by way of</p> <p>17 these six GAAP asset classes under the</p> <p>18 transaction with Lehman?</p> <p>19 MR. HUME: Objection. Lacks</p> <p>20 foundation.</p> <p>21 A. I can't really speak to that point.</p> <p>22 It was expecting that these were the assets that</p> <p>23 potentially were pledged, but that being said,</p> <p>24 things moved rather quickly at that point in</p> <p>25 time so I don't even think Lehman ever got back</p>	<p>1 Teague</p> <p>2 to me in regards to the spreadsheet.</p> <p>3 Q. I understand that, sir, but what do</p> <p>4 you mean "potentially pledged"?</p> <p>5 A. Just, you know, looking at it now,</p> <p>6 these could potentially be some of the assets</p> <p>7 that would be part of the repo that we ended up</p> <p>8 acquiring through the acquisition.</p> <p>9 That being said, I, again, I never</p> <p>10 gained any clarity because I never received any</p> <p>11 clarity from Lehman on this. So I fully admit</p> <p>12 I'm hypothesizing at the moment based on I never</p> <p>13 got any color back from the people who sent me</p> <p>14 the file.</p> <p>15 Q. Did anybody represent to you, sir,</p> <p>16 that the inventory reflected on the spreadsheet</p> <p>17 was inventory that was to be transferred by</p> <p>18 Lehman to Barclays?</p> <p>19 A. At the time, the overall analysis was</p> <p>20 what -- apologies. There was a previous e-mail</p> <p>21 by way of Clement. I believe these were the,</p> <p>22 from my perspective, these were going to be the</p> <p>23 assets that we would need to independently</p> <p>24 value.</p> <p>25 Q. Right. And you would need to</p>

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<p>1 Teague</p> <p>2 independently value them because it was your</p> <p>3 understanding that these were the assets that</p> <p>4 were to be transferred from Lehman to Barclays,</p> <p>5 correct?</p> <p>6 A. Yes, that's what I would anticipate,</p> <p>7 that this, looking back in time, this was most</p> <p>8 likely the assets we were expecting to get</p> <p>9 delivered. Again, since it couldn't be</p> <p>10 reconciled, I didn't go very far because, first,</p> <p>11 you know, again, apologies, but the first part</p> <p>12 of the policies was to reconcile the data, so I</p> <p>13 don't know if we ever got much further since we</p> <p>14 were never able to reconcile the data.</p> <p>15 Q. I understand that, sir. Can you take</p> <p>16 a look at a document that has been marked</p> <p>17 previously in these depositions as Exhibit 19.</p> <p>18 A. Okay.</p> <p>19 Q. And just let me know whether you have</p> <p>20 seen this document before, sir.</p> <p>21 A. It looks familiar. I'm not quite sure</p> <p>22 where it came from. I don't know what it is. I</p> <p>23 mean, many documents are broken out by assets</p> <p>24 and liabilities, so I apologize, I'm not sure if</p> <p>25 I've seen this before.</p>	<p>1 Teague</p> <p>2 Q. Do you recall seeing this document at</p> <p>3 or about the time of the Lehman transaction in</p> <p>4 September 2008?</p> <p>5 A. Apologies. I received -- I was on a</p> <p>6 few different e-mail chains at that point in</p> <p>7 time, so I don't recollect if I've seen this</p> <p>8 particular document.</p> <p>9 Q. Is it fair to say, then, you don't</p> <p>10 recall any effort to reconcile detailed</p> <p>11 spreadsheets that you received with the data</p> <p>12 that's contained on Exhibit 19?</p> <p>13 A. I don't recall. To be honest, I'm not</p> <p>14 quite sure what some of these acronyms stand</p> <p>15 for. I don't believe this was the backup to</p> <p>16 this, if that is the question. I do not believe</p> <p>17 this was one of the eight files, so I'm not</p> <p>18 quite sure I've seen this.</p> <p>19 Q. Okay. That's all I have for that</p> <p>20 document, sir.</p> <p>21 (Deposition Exhibit 874, a document</p> <p>22 bearing Bates Nos. BCI-EX-(S)-00176594</p> <p>23 through 596, marked for identification, as</p> <p>24 of this date.)</p> <p>25 Q. I'm handing you what I have marked as</p>
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<p>1 Teague</p> <p>2 Exhibit 874, sir. It's a two-page document that</p> <p>3 ends with an e-mail sent from you to Steven</p> <p>4 Davies on September 19, 2008. Would you take a</p> <p>5 look at that and let me know when you've done</p> <p>6 so, please.</p> <p>7 (Document review.)</p> <p>8 A. Yes. So that was my follow-up as</p> <p>9 Clement had passed me on to different</p> <p>10 individuals.</p> <p>11 Q. I think you told Mr. Tambe earlier in</p> <p>12 connection with a related e-mail that you didn't</p> <p>13 recall any conversations with Kevin Horan or</p> <p>14 Mike McGarvey over the weekend prior to the</p> <p>15 closing on September 22. Do you remember that</p> <p>16 testimony?</p> <p>17 A. Yes.</p> <p>18 Q. And you see that you write to Steven</p> <p>19 Davies here, "FYI, I asked Kevin Horan and Mike</p> <p>20 McGarvey at Lehman to forward the portfolio as</p> <p>21 of 15 September since that is the legal close</p> <p>22 date."</p> <p>23 Do you see that, sir?</p> <p>24 A. Yes.</p> <p>25 Q. Does that refresh your recollection</p>	<p>1 Teague</p> <p>2 about any conversations you had with either Mr.</p> <p>3 Horan or Mr. McGarvey prior to the closing of</p> <p>4 the transaction on the 22nd?</p> <p>5 A. So then they would be forwarding, at</p> <p>6 this point in time, then, I guess the logic they</p> <p>7 would be forwarding me the data on. There was</p> <p>8 no clarity if they were going to send over the</p> <p>9 same specifics, to be honest, or what was</p> <p>10 missing, so there was additional e-mails that</p> <p>11 were sent then post this e-mail as far as what</p> <p>12 positions we were receiving.</p> <p>13 I believe Kevin Horan was in the Prime</p> <p>14 Services team at Lehman. So Steven Davies would</p> <p>15 have been his counterpart I believe in some</p> <p>16 capacity at Barclays Capital.</p> <p>17 Q. Does this refresh your recollection,</p> <p>18 sir, that you spoke to Mr. Horan and Mr.</p> <p>19 McGarvey on or around September 19 in connection</p> <p>20 with your effort to reconcile the data that had</p> <p>21 been provided to you by Lehman?</p> <p>22 A. Yes. At this point in time it looks</p> <p>23 like I was still waiting for the information,</p> <p>24 but they were going to forward on the</p> <p>25 portfolios.</p>

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<p>1 Teague</p> <p>2 Q. Right. My question is a little</p> <p>3 different. Is looking at this e-mail, sir, does</p> <p>4 this refresh your recollection that you had a</p> <p>5 conversation with these two individuals, Mr.</p> <p>6 Horan and Mr. McGarvey?</p> <p>7 A. Yes. Apologies. I had a conversation</p> <p>8 with them.</p> <p>9 Q. Can you tell me what you recall now</p> <p>10 about that conversation?</p> <p>11 A. No. Apologies. I don't recall any</p> <p>12 specifics of the conversation above and beyond</p> <p>13 that. I remember Clement did pass me on to talk</p> <p>14 to them, and the follow-up conversation was to,</p> <p>15 keeping the original goal in mind of trying to</p> <p>16 reconcile the summary to the, you know,</p> <p>17 supporting documents, I reached out to them and</p> <p>18 they were going to forward on the portfolios for</p> <p>19 us to understand what would be -- I guess what</p> <p>20 would be transferred.</p> <p>21 Q. Okay. That's all I have for that</p> <p>22 document, sir.</p> <p>23 Independent of any document, sir, I</p> <p>24 want to ask you a few questions about the margin</p> <p>25 that is associated with exchange-traded</p>	<p>1 Teague</p> <p>2 derivatives.</p> <p>3 Do you have any understanding, sir, of</p> <p>4 whether or not the transaction between Lehman</p> <p>5 and Barclays included the transfer to Barclays</p> <p>6 of margin, whether it be cash or securities,</p> <p>7 that was posted by Lehman in connection with</p> <p>8 exchange-traded derivatives?</p> <p>9 A. That would have been outside of my</p> <p>10 area.</p> <p>11 Q. You haven't had any conversations with</p> <p>12 anybody at any point about that?</p> <p>13 A. No, I wouldn't know any of the details</p> <p>14 of that.</p> <p>15 (Deposition Exhibit 875, a document</p> <p>16 bearing Bates Nos. BCI-EX-(S)-00201554,</p> <p>17 marked for identification, as of this date.)</p> <p>18 Q. Mr. Teague, I've handed you what I</p> <p>19 have marked as Exhibit 875, please. It's a</p> <p>20 one-page e-mail from Mr. Washtell to you and</p> <p>21 Marcus Morton.</p> <p>22 A. Uh-huh.</p> <p>23 Q. The subject is "EDG Valuations at</p> <p>24 Lehman" from the 26th of September. If you</p> <p>25 could just review that briefly and let me know</p>
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<p>1 Teague</p> <p>2 when you've done so, please.</p> <p>3 (Document review.)</p> <p>4 A. Okay.</p> <p>5 Q. First of all, what does "EDG"</p> <p>6 reference, do you know?</p> <p>7 A. That is the Equity Derivative Group</p> <p>8 valuations at Lehman.</p> <p>9 Q. Turning to the first concern that Mr.</p> <p>10 Washtell expresses, he says, "Listed equity</p> <p>11 option positions being transferred to us as part</p> <p>12 of the bankruptcy, but still booked in the</p> <p>13 Lehman systems, from what I hear approx 75,000</p> <p>14 positions"?</p> <p>15 A. Yes.</p> <p>16 Q. Do you see that?</p> <p>17 A. Yes.</p> <p>18 Q. Was it your understanding as of the</p> <p>19 date of this e-mail, the 26th of September, sir,</p> <p>20 that the equity option positions that were</p> <p>21 transferred from Lehman to Barclays under the</p> <p>22 transaction were still held in Lehman's systems?</p> <p>23 A. My knowledge at the time was there --</p> <p>24 the Lehman systems were, I can't say for what</p> <p>25 period of time, but they were still closed where</p>	<p>1 Teague</p> <p>2 I don't believe Lehman was able to effectively</p> <p>3 transfer assets in the beginning because, due to</p> <p>4 the bankruptcy, there was some I guess questions</p> <p>5 regarding, I don't know, vendor licensing,</p> <p>6 things of that nature, to where the positions</p> <p>7 were being held.</p> <p>8 And there was additional issues of</p> <p>9 getting all of the proper data set up in our</p> <p>10 systems to transfer the assets. So at this</p> <p>11 point in time there was a lot of questions over,</p> <p>12 as stated here by Mark Washtell, getting the</p> <p>13 assets moved over and so there were some loose</p> <p>14 ends that needed to get addressed.</p> <p>15 Q. My question is a little different from</p> <p>16 that answer, which is, as of the date of this</p> <p>17 e-mail, the 26th of September, where were those</p> <p>18 positions held, sir?</p> <p>19 MR. HUME: Objection. Lacks</p> <p>20 foundation.</p> <p>21 Q. The equity option positions, do you</p> <p>22 know where they were held?</p> <p>23 A. Again, I can't speak specifically to</p> <p>24 this date. My answer was just, in general,</p> <p>25 there was legal issues regarding bankruptcy that</p>

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<p>1 Teague</p> <p>2 was affecting Lehman's ability to transfer</p> <p>3 assets. There was also issues from the Barclays</p> <p>4 side as far as data getting updated in the</p> <p>5 systems to transfer the positions onto Barclays'</p> <p>6 systems. I can't speak to the day-to-day. That</p> <p>7 would be more of the IVC equities team.</p> <p>8 Q. So you don't know the answer to my</p> <p>9 question one way or the other?</p> <p>10 A. I can only speak high level. I can't</p> <p>11 speak to specifics.</p> <p>12 Q. What is the basis of the understanding</p> <p>13 that you have testified, your high level</p> <p>14 understanding as to the difficulties in</p> <p>15 transferring positions, sir, where does that</p> <p>16 come from?</p> <p>17 A. As far as the Independent Valuations,</p> <p>18 being responsible helping collate the data.</p> <p>19 There was quite a bit of back and forth with the</p> <p>20 individuals, be it Mark and be it Rich</p> <p>21 Landreman, as well as the individuals on my team</p> <p>22 to get a status update on how things are</p> <p>23 progressing as well as, initially, one thing I</p> <p>24 was looking to do was to try to have a file that</p> <p>25 was a consolidated file, which is, you know,</p>	<p>1 Teague</p> <p>2 when we received information from Clement, I had</p> <p>3 to have some sort of consolidated file, but that</p> <p>4 consolidated file was not -- we were unable to</p> <p>5 reconcile that consolidated file at that point</p> <p>6 in time to itself. So I was just basically</p> <p>7 helping provide some level of coordination</p> <p>8 because I was trying to get everything into just</p> <p>9 one spreadsheet so I would have one number.</p> <p>10 Q. Okay. So, back to my question, which</p> <p>11 was what is the basis of your understanding that</p> <p>12 there was difficulty in transferring assets,</p> <p>13 particularly exchange-traded derivatives, from</p> <p>14 Lehman's systems? Is the answer to that</p> <p>15 question conversations with Mark Washtell?</p> <p>16 A. It would be conversations with Mark</p> <p>17 Washtell and conversations with Steve Calick,</p> <p>18 who was in the equities P&L team.</p> <p>19 Q. Now, you told me in answer to my</p> <p>20 initial questions, sir, that you have no role in</p> <p>21 valuing the exchange-traded derivatives that</p> <p>22 Barclays purchased from Lehman, correct?</p> <p>23 A. That's correct.</p> <p>24 Q. Do I understand your answer to me a</p> <p>25 moment ago that you had a role in collating data</p>
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<p>1 Teague</p> <p>2 relating to those derivative positions?</p> <p>3 A. I was involved in pulling together all</p> <p>4 of the final numbers, in a sense. So, because</p> <p>5 of that, I was also involved in trying to</p> <p>6 determine what we were getting delivered. But</p> <p>7 anything involving the valuations, it was much</p> <p>8 more of a conversation with Operations where do</p> <p>9 we have potential issues; questions with Product</p> <p>10 Control, where do we have potential issues in</p> <p>11 regards to securities that had not been</p> <p>12 delivered, had been decayed, and if something</p> <p>13 wasn't on the balance sheet, it was more</p> <p>14 difficult for someone to perform the independent</p> <p>15 valuations.</p> <p>16 Q. Okay. You gave me a broad answer to a</p> <p>17 narrow question, sir. As I told you at the</p> <p>18 start of the deposition, my questions are going</p> <p>19 to relate to the derivative positions that</p> <p>20 Barclays --</p> <p>21 A. Okay.</p> <p>22 Q. -- obtained from Lehman, unless I</p> <p>23 specifically say otherwise.</p> <p>24 A. I had no specific responsibility in</p> <p>25 valuing.</p>	<p>1 Teague</p> <p>2 Q. If I can just stop you there. If you</p> <p>3 let me finish before you answer my questions,</p> <p>4 it's going to be a lot easier for Kathy to take</p> <p>5 it down. When we talk over each other, it makes</p> <p>6 a difficult job harder for Kathy.</p> <p>7 So what role, if any, did you have in</p> <p>8 collating or reviewing data relating to</p> <p>9 Barclays' valuation or price testing of the</p> <p>10 exchange-traded derivative positions that</p> <p>11 Barclays acquired from Lehman?</p> <p>12 A. My role would specifically be in</p> <p>13 collating any data and obtaining valuations</p> <p>14 performed by the Independent Valuations Equities</p> <p>15 Team to put in a summary document.</p> <p>16 Q. And did you apply any review or</p> <p>17 analysis to the data that you collated, sir?</p> <p>18 A. The only review or analysis would be a</p> <p>19 sanity check.</p> <p>20 Q. What does that mean, a sanity check,</p> <p>21 sir?</p> <p>22 A. Which is when you are putting data</p> <p>23 together, you perform a sanity check to make</p> <p>24 sure there were no issues. I could take one</p> <p>25 piece of data, trying to put it into a file and</p>

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<p>1 Teague</p> <p>2 do it incorrectly. I could be making a wrong</p> <p>3 assumption based on the data given to me if I</p> <p>4 wasn't given clear instructions, and in those</p> <p>5 situations, I would, you know, again, rely on</p> <p>6 them to be the final answer.</p> <p>7 (Deposition Exhibit 876, a document</p> <p>8 bearing Bates Nos. BCI-EX-(S)-00231490, with</p> <p>9 attachment, marked for identification, as of</p> <p>10 this date.)</p> <p>11 Q. Mr. Teague, I've handed you what I've</p> <p>12 marked as Exhibit 876, which is a one-page</p> <p>13 e-mail and one-page attachment. If you could</p> <p>14 briefly review that and let me know what you've</p> <p>15 done so.</p> <p>16 A. Okay.</p> <p>17 Q. Do you see, sir, that that's an e-mail</p> <p>18 from Eric Clark to you and Phillip Nash on</p> <p>19 October 9, 2008?</p> <p>20 A. Yes.</p> <p>21 Q. And the subject line is "Listed</p> <p>22 options value, hedge out costs, and related</p> <p>23 margin," do you see that?</p> <p>24 A. Yes.</p> <p>25 Q. Do you know why Mr. Clark was sending</p>	<p>1 Teague</p> <p>2 this data to you?</p> <p>3 A. Mr. Clark is in the Product Control</p> <p>4 line group, and at this point, the, you know,</p> <p>5 again, I was disseminating some of the data that</p> <p>6 we were getting in, so this is the type of</p> <p>7 information that I would be passing on to either</p> <p>8 senior management in the view of what's the</p> <p>9 overall acquisition market value, what's the</p> <p>10 market value of the Lehman opening balance</p> <p>11 sheet.</p> <p>12 So I would be taking in information</p> <p>13 from multiple people and, in this case, I would</p> <p>14 most likely be passing it on to Mark Washtell</p> <p>15 and potentially Jerry Shi for, you know, if</p> <p>16 there was any specific numbers behind it.</p> <p>17 Q. I'm confused by that last answer. I</p> <p>18 had understood from your testimony and from</p> <p>19 testimony from Mr. Washtell that Washtell and</p> <p>20 Jerry Shi were responsible for the valuation of</p> <p>21 the exchange-traded derivatives. Is that also</p> <p>22 your understanding?</p> <p>23 A. Yes. Eric Clark is in the Product</p> <p>24 Control team, so he would -- the Valuations team</p> <p>25 wouldn't have gotten -- we would be relying on</p>
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<p>1 Teague</p> <p>2 the Product Control team to reconcile any data,</p> <p>3 along with Operations. They were working closer</p> <p>4 with Operations of what dataset had come in the</p> <p>5 door, and they were, you know, would be looking</p> <p>6 at any P&L aspects of the deal, in this case,</p> <p>7 the acquisition date versus the September 30</p> <p>8 date, from the looks of it.</p> <p>9 Q. Do you know what acquisition date was</p> <p>10 used in this document, sir?</p> <p>11 A. That I do not.</p> <p>12 Q. There's a reference in this</p> <p>13 spreadsheet to "MTD P&L." Do you know what</p> <p>14 that's a reference to?</p> <p>15 A. Month to date P&L.</p> <p>16 Q. Were you involved in any way in the</p> <p>17 hedging of the derivative positions that</p> <p>18 Barclays acquired from Lehman?</p> <p>19 A. No, I was not.</p> <p>20 Q. Were you involved in tracking the</p> <p>21 costs related to those hedging assets?</p> <p>22 A. That's something that would be within</p> <p>23 the P&L team. Anything P&L-related would be</p> <p>24 handled by Tom McCosker or someone within P&L.</p> <p>25 If something was in a schedule that I had, it</p>	<p>1 Teague</p> <p>2 would be in there, but it would not be anything</p> <p>3 that I would be personally responsible for</p> <p>4 owning or reviewing.</p> <p>5 Q. That's all I have for that document.</p> <p>6 (Deposition Exhibit 877, a document</p> <p>7 bearing Bates Nos. BCI-EX-(S)-00207941, with</p> <p>8 attachments, marked for identification, as</p> <p>9 of this date.)</p> <p>10 Q. Sir, I've handed you what I have</p> <p>11 marked as Exhibit 877. You have a full copy of</p> <p>12 the e-mail and all attachments. What we have</p> <p>13 for other counsel are just excerpts in an effort</p> <p>14 to save some trees.</p> <p>15 I'm only going to be asking you about</p> <p>16 three attachments, which are flagged on your</p> <p>17 copy and are also contained in the copies we</p> <p>18 have for counsel.</p> <p>19 A. Okay.</p> <p>20 Q. For the record, I'll identify this as</p> <p>21 an e-mail from you to Tom McCosker, copying</p> <p>22 Marcus Morton, subject line, "Acquisition PL</p> <p>23 0930," which you sent on October 15, sir. Do</p> <p>24 you recognize this document, sir?</p> <p>25 A. Yes, as a high level view of a -- I</p>

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<p>1 Teague</p> <p>2 take it a month-to-date P&L.</p> <p>3 Q. And you're sending this document to</p> <p>4 Mr. McCosker asking him to update the hedges,</p> <p>5 options, cash and reserves, do you see that?</p> <p>6 A. Yes.</p> <p>7 Q. Why were you asking him to do that?</p> <p>8 A. So senior management could have a view</p> <p>9 of what the P&L of the opening balance sheet.</p> <p>10 Tom wouldn't have had all the data booked in the</p> <p>11 system, so they were looking to leverage any</p> <p>12 data that we would potentially already have as</p> <p>13 far as independent valuations to show the</p> <p>14 Product Control values as of the 19th is in the</p> <p>15 spreadsheet. So it was just leveraging the</p> <p>16 spreadsheet.</p> <p>17 Q. Could you turn to the first</p> <p>18 attachment, which is flagged in your copy after</p> <p>19 the first blue sheet. On the top left-hand</p> <p>20 side, the first words are "traded assets." Are</p> <p>21 you on the same page, sir?</p> <p>22 A. Yes.</p> <p>23 Q. Do you see that there are -- there are</p> <p>24 boxes headed "PCG" and "PMTG"?</p> <p>25 A. Uh-huh.</p>	<p>1 Teague</p> <p>2 Q. Can you describe for me, if you're</p> <p>3 able, the different roles that the Product</p> <p>4 Control Group and the PMTG organization had in</p> <p>5 valuing the derivatives positions that Barclays</p> <p>6 acquired from Lehman?</p> <p>7 A. I can't really speak in-depth to that.</p> <p>8 I think there was still some questions at that</p> <p>9 point in time over, you know, all the numbers.</p> <p>10 It appears the numbers between the two areas are</p> <p>11 identical, except for portfolio 2 seems to be</p> <p>12 broken out in a separate capacity, looking at</p> <p>13 the sheet itself.</p> <p>14 Q. If you look at the "Exchange-Traded</p> <p>15 Options" line, sir, you will see that the</p> <p>16 numbers for PCG for the 19th and 30th of</p> <p>17 September are both negative 498 million?</p> <p>18 A. Uh-huh.</p> <p>19 Q. And that the numbers in the PMTG group</p> <p>20 are different, they're larger, sir; do you see</p> <p>21 that?</p> <p>22 A. Yes.</p> <p>23 Q. And do you have any understanding as</p> <p>24 to why the numbers are different?</p> <p>25 A. No, that I do not.</p>
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<p>1 Teague</p> <p>2 Q. You do not?</p> <p>3 A. That I do not.</p> <p>4 Q. Could you turn to the next attachment,</p> <p>5 sir, which is again a one-page spreadsheet</p> <p>6 entitled "Project Long Island P&L Summary,</p> <p>7 October 3, 2008"?</p> <p>8 A. Uh-huh.</p> <p>9 Q. And turning your attention to the</p> <p>10 entry "OCC Margin" on the left-hand side, are</p> <p>11 you with me?</p> <p>12 A. Yes.</p> <p>13 Q. There are two numbers after that 5, 7.</p> <p>14 Do you understand that those are a reference to</p> <p>15 the data?</p> <p>16 A. To the dataset below.</p> <p>17 Q. To the footnote below.</p> <p>18 And you see that footnote 5 says,</p> <p>19 "Assumes we owe \$65 million to LBSF on the</p> <p>20 closeout and all Govies (\$408 million) are</p> <p>21 realized). Also assumes fixed positions are</p> <p>22 closed out at a loss of \$30 million." Do you</p> <p>23 see that?</p> <p>24 A. Yes.</p> <p>25 Q. Did you have any involvement in any</p>	<p>1 Teague</p> <p>2 way, sir, with the LBSF positions that Barclays</p> <p>3 appears to have acquired from Lehman?</p> <p>4 A. One moment. In all honesty, I believe</p> <p>5 for this page, I believe Jasen Yang may have,</p> <p>6 these comments and the numbers on the left-hand</p> <p>7 side --</p> <p>8 MR. HUME: The question is did you</p> <p>9 have any involvement.</p> <p>10 THE WITNESS: Not that I recollect.</p> <p>11 I'm trying to see the numbers.</p> <p>12 Apologies for the commentary.</p> <p>13 Not that I recollect.</p> <p>14 MR. OXFORD: You should only apologize</p> <p>15 to Mr. Hume for the commentary.</p> <p>16 MR. HUME: You don't want him to</p> <p>17 answer your question?</p> <p>18 MR. OXFORD: I'm happy to have my</p> <p>19 question answered.</p> <p>20 MR. HUME: With commentary, okay.</p> <p>21 MR. OXFORD: And my next --</p> <p>22 MR. HUME: He's happy to have his</p> <p>23 questions answered with commentary.</p> <p>24 Q. To your knowledge, sir, who wrote</p> <p>25 these footnotes 5 and 7 here?</p>

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<p>1 Teague</p> <p>2 A. To my -- to my best of my</p> <p>3 recollection, it would have been Jasen Yang or</p> <p>4 potentially Tom McCosker.</p> <p>5 Q. What was Mr. Yang's role in connection</p> <p>6 with the exchange-traded derivatives that</p> <p>7 Barclays acquired from Lehman, sir?</p> <p>8 A. Mr. Yang was a trader at the firm and</p> <p>9 he was looking at performing a similar task to</p> <p>10 myself of consolidating all the data and making</p> <p>11 sense of it from a front office perspective.</p> <p>12 Q. Did you have any discussions, sir,</p> <p>13 with anybody about the LBSF options that</p> <p>14 Barclays acquired from Lehman?</p> <p>15 A. That's a very generic, generalized</p> <p>16 question. Say that again. Did I have anything</p> <p>17 regarding?</p> <p>18 Q. Did you have any discussions, sir,</p> <p>19 with anybody about the LBSF options that</p> <p>20 Barclays acquired from Lehman?</p> <p>21 A. It would be, do we know the valuations</p> <p>22 associated with those would basically be any</p> <p>23 question I would usually have asked.</p> <p>24 Q. Did you have any conversations about</p> <p>25 the basis on which Lehman -- sorry, Barclays was</p>	<p>1 Teague</p> <p>2 entitled to those LBSF options?</p> <p>3 A. That would have been outside of the</p> <p>4 scope of the work I was performing. That would</p> <p>5 be something much more with potentially Legal,</p> <p>6 potentially Independent Valuations, but it</p> <p>7 wouldn't be one of my core functions.</p> <p>8 Q. So the answer is no?</p> <p>9 A. The answer is no, based on the fact</p> <p>10 that if I was involved, I don't recollect being</p> <p>11 involved in any capacity.</p> <p>12 Q. Do you know the source of the data for</p> <p>13 the options and delta hedges that appears in the</p> <p>14 spreadsheet, sir?</p> <p>15 MR. HUME: Objection. Lacks</p> <p>16 foundation.</p> <p>17 A. That I do not.</p> <p>18 Q. You see there's an entry on the</p> <p>19 left-hand side, sir, that reads "Excess Customer</p> <p>20 Margin"?</p> <p>21 A. Yes.</p> <p>22 Q. Do you know what that's a reference</p> <p>23 to, sir?</p> <p>24 A. No, I do not. Appears that it's</p> <p>25 blank.</p>
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<p>1 Teague</p> <p>2 Q. And then just beneath the subtotal,</p> <p>3 there's an entry "Potential Additional</p> <p>4 Collateral" and there's an eight after it?</p> <p>5 A. Yes.</p> <p>6 Q. And footnote 8 talks about \$200</p> <p>7 million in the OCC account, \$300 million in the</p> <p>8 customer accounts, and \$65 million allocated to</p> <p>9 LBIE, do you see that?</p> <p>10 A. Yes.</p> <p>11 Q. Did you have any discussions about</p> <p>12 that potential additional collateral with</p> <p>13 anyone, sir?</p> <p>14 A. No, I did not. I wouldn't be involved</p> <p>15 in that, that level of detail.</p> <p>16 Q. If you could turn to the third tab</p> <p>17 that I have flagged in your copy, which is the</p> <p>18 spreadsheet entitled "Lehman Inventory Take On</p> <p>19 Values as at September 30, 2008"?</p> <p>20 A. Yes.</p> <p>21 Q. Are you with me, sir?</p> <p>22 A. Yes.</p> <p>23 Q. Have you seen this spreadsheet before?</p> <p>24 A. Yes, looks familiar.</p> <p>25 Q. Again, turning to the "Options"</p>	<p>1 Teague</p> <p>2 section of this, do you see there's an</p> <p>3 adjustment for LBSF positions taken at 9/24?</p> <p>4 A. Yes.</p> <p>5 Q. Do you know why the LBSF positions</p> <p>6 were taken on at 9/24?</p> <p>7 A. I do remember there was some -- yeah,</p> <p>8 I don't recall. I remember there was some</p> <p>9 issue. There was a later date for part of the</p> <p>10 overall population, but I can't speak to why</p> <p>11 9/24 was the date.</p> <p>12 Q. Do you know why -- sorry. I didn't</p> <p>13 mean to cut you off, sir.</p> <p>14 A. No. Apologies. I don't know the</p> <p>15 date -- I don't know why it happened later.</p> <p>16 Q. Can I ask you to turn, sir, to 827,</p> <p>17 which is the document Mr. Tambe marked for you.</p> <p>18 Sorry. 873. Apologies.</p> <p>19 A. Okay.</p> <p>20 Q. Do you have it there, sir?</p> <p>21 A. Yes.</p> <p>22 Q. This is a document from PwC that</p> <p>23 reflects an e-mail exchange between you and</p> <p>24 Robert MacGoey?</p> <p>25 A. Uh-huh.</p>

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<p>1 Teague</p> <p>2 Q. Do you see that?</p> <p>3 A. Yes.</p> <p>4 Q. Do you recall this e-mail exchange,</p> <p>5 sir?</p> <p>6 A. Yes.</p> <p>7 Q. Would you agree that Mr. MacGoey of</p> <p>8 PwC is discussing with you the bid, mid</p> <p>9 adjustment to the exchange-traded derivatives</p> <p>10 pricing that Barclays is proposing?</p> <p>11 A. I see nothing specific to the</p> <p>12 exchange-traded in this e-mail that I can see.</p> <p>13 If you give me a moment, is there anything you</p> <p>14 can point out?</p> <p>15 Q. I believe the reference to \$500</p> <p>16 million at bid/offer adjustment at item 7 is a</p> <p>17 reference to exchange-traded derivatives. Does</p> <p>18 that refresh your recollection, sir?</p> <p>19 MR. HUME: Objection to the form of</p> <p>20 the question and assumes facts not in</p> <p>21 evidence.</p> <p>22 A. I thought that related to corporates.</p> <p>23 Apologies. If I am incorrect, then it</p> <p>24 doesn't -- then, no, I don't recollect</p> <p>25 specifically for exchange-traded.</p>	<p>1 Teague</p> <p>2 Q. Were you involved in any discussions,</p> <p>3 sir, with anyone, whether at PwC or within</p> <p>4 Barclays, about the appropriate valuation date</p> <p>5 for exchange-traded options?</p> <p>6 A. I know there was -- it was a</p> <p>7 discussion point, but, again, I'm not the best</p> <p>8 person to speak to since I wasn't performing the</p> <p>9 analysis. Any, you know, the -- the dates,</p> <p>10 again, going back to all asset classes, were</p> <p>11 something that was up for discussion originally.</p> <p>12 I think there was some -- there wasn't clarity</p> <p>13 on day one and the clarity came later on.</p> <p>14 Q. I understand you may not be the best</p> <p>15 person for me to speak to about this, sir, but</p> <p>16 unfortunately, you're the only person I have</p> <p>17 under oath today. So notwithstanding your</p> <p>18 caveat that there may be others more qualified</p> <p>19 to testify to it, I'm asking about your</p> <p>20 recollection, sir.</p> <p>21 Do you recall having any conversations</p> <p>22 with anyone, whether PwC or within Barclays,</p> <p>23 about the appropriate valuation date for the</p> <p>24 exchange-traded options that Barclays acquired</p> <p>25 from Lehman?</p>
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<p>1 Teague</p> <p>2 MR. HUME: Objection. Asked and</p> <p>3 answered.</p> <p>4 A. Any discussions I would have had on</p> <p>5 that would have been high level, and I don't</p> <p>6 recollect any specifics.</p> <p>7 (Deposition Exhibit 878, a document</p> <p>8 bearing Bates Nos. PwC-BarCap 00025971</p> <p>9 through 974, marked for identification, as</p> <p>10 of this date.)</p> <p>11 Q. Mr. Teague, I've handed you what I</p> <p>12 have marked as Exhibit 878. If you could take a</p> <p>13 look at that. It's a PwC document that includes</p> <p>14 an e-mail exchange between you and Mr. MacGoey</p> <p>15 at PwC?</p> <p>16 A. Uh-huh.</p> <p>17 Q. And if it speeds things up, I'm</p> <p>18 principally going to ask you about what's on the</p> <p>19 first page.</p> <p>20 A. Okay.</p> <p>21 Q. However, you are, of course, at</p> <p>22 liberty to review the whole document.</p> <p>23 A. Okay.</p> <p>24 Q. Do you recall this e-mail exchange,</p> <p>25 sir?</p>	<p>1 Teague</p> <p>2 A. Let's see, the date on this is dated</p> <p>3 January.</p> <p>4 (Document review.)</p> <p>5 A. Okay. Okay.</p> <p>6 Q. My question is do you recall this</p> <p>7 e-mail exchange, sir?</p> <p>8 A. Yes.</p> <p>9 Q. And does this refresh your</p> <p>10 recollection, sir, that you had at least one</p> <p>11 conversation with Mr. MacGoey in connection with</p> <p>12 the valuation of the exchange-traded options</p> <p>13 portfolio that Barclays acquired from Lehman?</p> <p>14 MR. HUME: Objection. Vague and</p> <p>15 ambiguous.</p> <p>16 A. And based on this e-mail, for the</p> <p>17 specifics, I guess PwC at that point were going</p> <p>18 to be reaching out to tell Marcus and myself</p> <p>19 that it was outside of their scope.</p> <p>20 Q. Right, that's what the document says,</p> <p>21 sir, but do you recall having any conversation</p> <p>22 with Mr. MacGoey about this subject?</p> <p>23 A. I don't remember the specifics of the</p> <p>24 conversation. Apologies. Looking through some</p> <p>25 of the older e-mails. Prior to me, it seemed</p>

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<p>1 Teague</p> <p>2 like it was something that was going on between</p> <p>3 Operations, the head of Operations and Marcus,</p> <p>4 and I was just trying to get clarity as to what</p> <p>5 the -- what the date was and he was saying,</p> <p>6 "Please see the below e-mail." So I was just, I</p> <p>7 guess, getting into the process rather late to</p> <p>8 provide some clarity, if I could get any</p> <p>9 clarity, from PwC.</p> <p>10 Q. And do you recall getting any clarity</p> <p>11 from PwC, sir?</p> <p>12 A. I do not. Much of the involvement I</p> <p>13 performed on the equities was because Mark</p> <p>14 Washtell is located in London, so I was just</p> <p>15 working to help coordinate some of these</p> <p>16 aspects.</p> <p>17 MR. OXFORD: I don't have any further</p> <p>18 questions for you, Mr. Teague. Thank you.</p> <p>19 MR. HUME: You have no questions?</p> <p>20 MR. KAY: No questions.</p> <p>21 MR. HUME: I have a few questions for</p> <p>22 the witness and then we can finish up.</p> <p>23 EXAMINATION BY</p> <p>24 MR. HUME:</p> <p>25 Q. Mr. Teague, as you know, I'm Hamish</p>	<p>1 Teague</p> <p>2 Hume, representing Barclays.</p> <p>3 You understand your testimony in this</p> <p>4 deposition is part of a court proceeding and may</p> <p>5 potentially be considered by the Court in this</p> <p>6 case?</p> <p>7 A. Yes.</p> <p>8 Q. And you've been asked a lot of</p> <p>9 questions about the valuation of certain assets</p> <p>10 that Barclays acquired from Lehman pursuant to</p> <p>11 the September 2008 sale transaction, correct?</p> <p>12 A. Yes.</p> <p>13 Q. Can you just state again for the</p> <p>14 record which of those assets you and your</p> <p>15 specific group in Independent Valuation Control</p> <p>16 were responsible for valuing?</p> <p>17 A. That would be the fixed income rates</p> <p>18 and corporate assets.</p> <p>19 Q. And did the valuations that you and</p> <p>20 the members of your group arrived at for those</p> <p>21 assets flow up into Barclays' acquisition</p> <p>22 balance sheet that was publicly reported in</p> <p>23 early 2009?</p> <p>24 A. Yes, that was the case.</p> <p>25 Q. And in all of the work that you did to</p>
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<p>1 Teague</p> <p>2 determine values to ascribe to those assets,</p> <p>3 what was the goal of your valuation efforts?</p> <p>4 MR. TAMBE: Objection to the form of</p> <p>5 the question.</p> <p>6 A. The goal was to ensure that we were</p> <p>7 appropriately marking the assets to a bid price</p> <p>8 and the market as of 9/22.</p> <p>9 Q. And when you say "at bid price," was</p> <p>10 that -- what relationship does that have to a</p> <p>11 fair market value for those assets?</p> <p>12 A. We were looking to use a fair market</p> <p>13 value at which these assets could be -- could be</p> <p>14 valued in light of the market conditions. We</p> <p>15 were trying to derive or obtain the proper</p> <p>16 market values as of 9/22 for the assets in the</p> <p>17 Lehman portfolio.</p> <p>18 Q. And was the direction that you were</p> <p>19 given, to the extent you were given any</p> <p>20 direction by anyone internally at Barclays,</p> <p>21 consistent with the overall goal of determining</p> <p>22 an accurate fair market value for the assets you</p> <p>23 were responsible for valuing?</p> <p>24 A. Yes.</p> <p>25 Q. And looking back at all of your</p>	<p>1 Teague</p> <p>2 efforts in the course of this deposition and</p> <p>3 preparing for it, do you believe that at all</p> <p>4 times during your work you attempted to fairly</p> <p>5 and reasonably determine the fair market value</p> <p>6 for all of those assets?</p> <p>7 A. Yes, I believe that is the case.</p> <p>8 Q. Do you have any recollection of anyone</p> <p>9 at Barclays at any time suggesting to you that</p> <p>10 you should do anything other than attempt to</p> <p>11 calculate and determine the appropriate fair</p> <p>12 market value of the assets you were responsible</p> <p>13 for valuing?</p> <p>14 A. No, I do not.</p> <p>15 Q. Did anyone ever say to you, in form or</p> <p>16 substance, that a result other than fair market</p> <p>17 value at an appropriate bid price was the</p> <p>18 desired goal or should be what you aim to</p> <p>19 achieve?</p> <p>20 A. No.</p> <p>21 Q. Did anyone ever indicate to you or</p> <p>22 anyone else working for you, to your knowledge,</p> <p>23 that you should attempt to understate the fair</p> <p>24 market value of the assets that had been</p> <p>25 acquired, to state values that were below that</p>

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<p>1 Teague 2 fair market value? 3 A. No. 4 Q. And do you believe the valuations you 5 ultimately reached for the assets you and your 6 team were responsible for valuing reflect the 7 fair market value as of September 22, 2008? 8 A. Yes, I do. 9 Q. And you have been asked some questions 10 about PwC during this deposition. Did you 11 interact with PwC professionals during your work 12 in valuing the assets that had been acquired by 13 Barclays? 14 A. Yes. 15 Q. Were they involved before the 16 acquisition balance sheet was finalized? 17 A. Yes. 18 Q. And did PwC look closely at the 19 different methodologies that were used to value 20 the different types of assets that you were 21 responsible for valuing? 22 MR. TAMBE: Objection to the form of 23 the question. 24 A. Yes, PwC did an analysis of the 25 independent valuations and reviewed different</p>	<p>1 Teague 2 methodologies that were utilized in their 3 oversight of the Lehman opening balance sheet. 4 Q. And was PwC, to your knowledge, aware 5 of the valuation date that Barclays was using to 6 arrive at these fair market values? 7 A. Yes. 8 Q. And to your knowledge, did PwC agree 9 that that valuation date was a reasonable 10 valuation date? 11 A. Yes. 12 Q. And to your knowledge and 13 understanding, did PwC ultimately conclude that 14 Barclays' valuations of the securities acquired 15 in the Lehman sale transaction were fairly 16 stated in all material respects? 17 A. Yes. 18 Q. You were asked some questions earlier 19 in the deposition about work that you may have 20 done during the week of September 15, 2008, do 21 you recall that? 22 A. Yes. 23 Q. You were asked some questions about 24 reconciliation efforts you may have done that 25 week on some of the assets that might have been</p>
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<p>1 Teague 2 involved in the transaction, do you recall that? 3 A. Yes. 4 Q. You were asked some questions about 5 specifically Lehman's marks on some of those 6 assets, do you recall that? 7 A. Yes. 8 Q. Let me ask you, in the work that you 9 did that week, do you have any recollection of 10 ever at any time relying on any of the Lehman 11 marks on any of the securities that you looked 12 at? 13 A. No, I don't even believe I had the 14 Lehman marks available to me. 15 Q. Were you ever asked by anyone to 16 assess the accuracy or potential staleness of 17 those Lehman marks? 18 A. No. 19 Q. And are you sure one way or the other 20 whether you even saw the Lehman marks on those 21 securities? 22 A. I do not believe I have seen the marks 23 on those securities. 24 Q. Would it surprise you if someone told 25 you that the Lehman marks on some of the</p>	<p>1 Teague 2 securities acquired by Barclays were stale by 3 the week of September 15, 2008 after Lehman 4 Holding Company filed bankruptcy? 5 MR. TAMBE: Object to the form. Lack 6 of foundation. 7 MR. KAY: Same objection. 8 MR. TAMBE: Objection. Calls for 9 speculation. 10 A. Based on conversations after the 11 acquisition, I would not be surprised if marks 12 were not being updated from the Lehman side. 13 Q. You also were asked some questions 14 about which assets were going to be included in 15 the transaction and whether assets from one of 16 the exhibits you were shown were the assets that 17 were to be transferred to Barclays, do you 18 recall that? 19 A. Yes. 20 Q. Did you have any involvement at all in 21 the negotiations over the terms of the sale 22 transaction? 23 A. No, I did not. 24 Q. Were you closely involved in any 25 indirect way with the negotiations in the sale</p>

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<p>1 Teague 2 transaction? 3 A. No, I was not. 4 Q. Do you think you would have a clear 5 and good understanding at any given point in 6 time during the week of September 15, 2008 of 7 the specific assets that were supposed to be 8 included in the sale transaction? 9 MR. OXFORD: Object to the form. 10 Q. Would you know what was being 11 negotiated in terms of which securities were 12 going to be included or not? 13 A. From a negotiation perspective, no, I 14 would not know that. 15 Q. You testified earlier in the 16 deposition about the market free-fall that was 17 going on in September 2008, and you made a 18 reference at one point to September 22. 19 Do you have any specific recollection 20 of whether September 22 in particular was a date 21 of market free-fall, or were you testifying 22 generally about the time period around the 23 Lehman bankruptcy? 24 MR. TAMBE: Objection to form. 25 Objection to the extent it seeks to</p>	<p>1 Teague 2 recharacterize prior testimony or suggests 3 an answer to the witness. 4 Q. The testimony is what it is. I just 5 want to know what it is that you recall 6 specifically about September 22 as opposed to 7 generally around the time of the Lehman 8 bankruptcy. 9 A. Generally around the time, it was in 10 market free-fall. The number I was referring to 11 earlier was actually the Monday prior, where the 12 market had fallen dramatically that day. The 13 market on the 22nd, while volatile, was not 14 the -- was not the day that I was speaking to 15 when the market fell by 800. The market I 16 believe only fell about 3 or 400 that day. 17 Q. You were asked about whether or not 18 you ever attempted to determine the value of 19 assets or securities acquired by Barclays as of 20 the open of business on September 22 as opposed 21 to other times on September 22. Do you recall 22 that? 23 A. Yes. 24 Q. Can you explain why it is -- well, let 25 me ask this question first. In the typical</p>
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<p>1 Teague 2 course of business, does Barclays ever have to 3 determine the value of its securities as of a 4 particular time of day? 5 A. We would have no ability to value 6 something as of a particular time of day. Only 7 if something maybe potentially on 8 exchange-traded. 9 Q. Does Barclays attempt to value 10 securities as of a particular date on a daily 11 basis? 12 A. On a -- the regular IVC process that's 13 performed on a month-end basis. Any pricing 14 that is performed on a daily basis, either by 15 the desk or using external data, has to be close 16 of business. That's the only place for the data 17 to be readily available. 18 Q. And when Barclays attempts to value 19 assets as of a particular date, whether it's the 20 front office or IVC, what is the data that is 21 available for market activity as of any 22 particular date? Is it the data from the 23 beginning of business or the end of business? 24 A. All data available from the vendors is 25 the data for the end of business.</p>	<p>1 Teague 2 Q. Is there any data that could have been 3 used to value securities as of the open of 4 business on September 22? 5 A. Not that I'm aware of. 6 Q. You were asked some questions in this 7 deposition about liquidity haircuts and whether 8 they were taken on a CUSIP-by-CUSIP basis or 9 portfolio basis. Do you recall that? 10 A. Yes, I do. 11 Q. Can you first explain what it is in 12 the context of your valuation work in this case 13 is meant by the phrase "liquidity haircut"? 14 A. "Liquidity haircut" was a reference to 15 a means to mark the vendor data, which is mid 16 price to a bid price to reflect fair value. 17 Q. When you talked about liquidity 18 haircuts on a portfolio basis, did that in any 19 way reflect any judgments about what would 20 happen if that entire portfolio was going to be 21 liquidated? 22 A. No, that number was not derived in 23 that light. 24 Q. Were the liquidity haircuts an effort 25 to determine the correct fair market value for</p>

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<p>1 Teague</p> <p>2 the specific CUSIPs within the portfolio on a</p> <p>3 CUSIP-by-CUSIP basis?</p> <p>4 MR. TAMBE: Objection to the form of</p> <p>5 the question.</p> <p>6 Q. Let me rephrase the question. Were</p> <p>7 the liquidity haircuts an effort to determine</p> <p>8 the fair market value at which you could sell</p> <p>9 each CUSIP as opposed to what you would get for</p> <p>10 liquidating the entire portfolio?</p> <p>11 MR. TAMBE: Objection to the form of</p> <p>12 the question.</p> <p>13 A. The liquidity haircut or bid/offer</p> <p>14 which was performed at the product level was</p> <p>15 done in a way to capture what it would -- what</p> <p>16 pricing it would take essentially to sell the</p> <p>17 underlying, but in no way to sell them all at</p> <p>18 the same time. It was a haircut based on</p> <p>19 utilizing data from other CUSIPs as a means to</p> <p>20 determine what a high-level bid/offer would be</p> <p>21 for those assets.</p> <p>22 Q. You were asked a question about one</p> <p>23 spreadsheet that showed a column for notional</p> <p>24 value as opposed to market value. Do you recall</p> <p>25 that?</p>	<p>1 Teague</p> <p>2 A. Yes, I do.</p> <p>3 Q. Does notional value bear any necessary</p> <p>4 relationship to fair market value when you're</p> <p>5 talking about the types of securities that were</p> <p>6 acquired in this transaction?</p> <p>7 A. No, notional value would be the size</p> <p>8 of a position based on the price. The notional</p> <p>9 of -- a very large notional can end up having a</p> <p>10 very small market value.</p> <p>11 Q. You were asked some questions about</p> <p>12 the Pine collateralized loan obligation. Do you</p> <p>13 recall that?</p> <p>14 A. Yes.</p> <p>15 Q. And I believe you testified there were</p> <p>16 different valuations performed by the front</p> <p>17 office traders and by IVC; is that correct?</p> <p>18 A. That is correct.</p> <p>19 Q. You were asked some questions about</p> <p>20 the funding risk and the relevance of funding</p> <p>21 risk to the valuations performed by IVC -- well,</p> <p>22 to the valuations performed by Barclays. Do you</p> <p>23 recall those questions?</p> <p>24 A. Yes.</p> <p>25 Q. Did funding risk have any relevance to</p>
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<p>1 Teague</p> <p>2 the valuation work you performed in IVC?</p> <p>3 A. No. Funding risk, from our</p> <p>4 perspective, was more so an aspect of the</p> <p>5 overall legal risk.</p> <p>6 Q. You gave some testimony about an</p> <p>7 analogy to SIVs. Was that an analogy based upon</p> <p>8 funding risks or something else?</p> <p>9 A. That was an analogy based on a legal</p> <p>10 risk where an event of default, when triggered,</p> <p>11 one is never certain of what the outcome will</p> <p>12 be. In that scenario the firm had to take large</p> <p>13 writedowns due to the judgment that occurred</p> <p>14 based on EOD triggers, and that's where the</p> <p>15 legal risk can result in large writedowns.</p> <p>16 Q. In your work in IVC in valuing Pine,</p> <p>17 did you make any specific judgment one way or</p> <p>18 the other as to whether Barclays specifically</p> <p>19 might have to contribute additional money into</p> <p>20 Pine in the future based on borrower calls on</p> <p>21 the underlying revolver and credits?</p> <p>22 A. No.</p> <p>23 Q. The movants have said in this case or</p> <p>24 their expert has said that Barclays' valuation</p> <p>25 of Pine was based on an incorrect reading of the</p>	<p>1 Teague</p> <p>2 underlying contract or indenture because the</p> <p>3 contract says that Barclays, as the owner of the</p> <p>4 Senior Tranche A participation interest, had no</p> <p>5 obligation to contribute funding to Pine.</p> <p>6 Do you believe that the Barclays</p> <p>7 valuation of Pine was incorrectly based on an</p> <p>8 assumption that Barclays might have a funding</p> <p>9 risk contrary to the terms of that contract?</p> <p>10 A. No, I do not.</p> <p>11 Q. Do you recall that the front office in</p> <p>12 its valuation of Pine did review a variety of</p> <p>13 scenarios, at least one of which might have a</p> <p>14 risk of future funding?</p> <p>15 A. Yes.</p> <p>16 Q. Did you understand that the funding</p> <p>17 risk that the front office was concerned about</p> <p>18 was, in the first instance, that the CLO itself,</p> <p>19 the Pine entity as opposed to the tranche</p> <p>20 holders like Barclays, would be called upon to</p> <p>21 contribute the money it held as cash in eligible</p> <p>22 investments to the borrowers?</p> <p>23 MR. TAMBE: Objection to the form of</p> <p>24 the question.</p> <p>25 A. Yes, that was my understanding.</p>

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<p>1 Teague</p> <p>2 That --</p> <p>3 Q. So could there be a funding risk</p> <p>4 relevant to valuing Pine that had nothing to do</p> <p>5 with Barclays having to contribute money?</p> <p>6 A. Yes.</p> <p>7 Q. Can you explain that?</p> <p>8 A. If the money, that \$367 million, is</p> <p>9 used to provide future funding for the</p> <p>10 revolvers, that is money that would no longer be</p> <p>11 going to the senior tranche. In the event of</p> <p>12 default, if that were an event -- if an event of</p> <p>13 default were to occur, as it did, and the ending</p> <p>14 result was that money would be allocated to the</p> <p>15 super senior holder, then that's money that can</p> <p>16 be applied towards our valuation.</p> <p>17 If we are unable to utilize that money</p> <p>18 and that money can then, instead of going to a</p> <p>19 super senior holder, could then go to provide</p> <p>20 funding to all the underlying revolvers, that</p> <p>21 would money we wouldn't have, in a sense money</p> <p>22 that would be removed from the valuation of the</p> <p>23 super senior.</p> <p>24 Q. And as of the time you were trying to</p> <p>25 value Pine, as of September 22, Barclays would</p>	<p>1 Teague</p> <p>2 not have known whether or not that money in the</p> <p>3 CLO would be dispersed to Barclays and the other</p> <p>4 tranche holders or, instead, be required to fund</p> <p>5 future borrowing calls by the borrowers,</p> <p>6 correct?</p> <p>7 A. That's correct.</p> <p>8 MR. TAMBE: Objection to form.</p> <p>9 Q. Do you recall how much money that was</p> <p>10 that was held by the CLO?</p> <p>11 A. That I do not. I believe somewhere in</p> <p>12 the neighborhood of \$200 million at the end of</p> <p>13 the year.</p> <p>14 Q. Do you know whether, to this day,</p> <p>15 almost two years after Barclays acquired Pine,</p> <p>16 Barclays is yet to receive even one dollar in</p> <p>17 distribution payment to the tranche holder?</p> <p>18 A. No, we have never received any money,</p> <p>19 to my knowledge.</p> <p>20 Q. As far as you know, does Pine continue</p> <p>21 to hold eligible investments that it has refused</p> <p>22 to distribute to Barclays?</p> <p>23 A. Yes.</p> <p>24 Q. Is that consistent with some of the</p> <p>25 skepticism that was implicit in your valuation</p>
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<p>1 Teague</p> <p>2 of Pine on the acquisition balance sheet?</p> <p>3 MR. TAMBE: Objection to form.</p> <p>4 MR. KAY: Same objection.</p> <p>5 A. Yes.</p> <p>6 Q. In addition to the funding risk of</p> <p>7 Pine using its eligible investments to</p> <p>8 contribute to borrowers and fund borrower calls</p> <p>9 rather than distribute to tranche holders, was</p> <p>10 there also a funding risk that, irrespective of</p> <p>11 what the contract might require, the borrowers</p> <p>12 might need funding in order to keep their</p> <p>13 businesses operating?</p> <p>14 A. Yes.</p> <p>15 MR. TAMBE: Objection to form.</p> <p>16 A. It would not be a contractual</p> <p>17 obligation, but it would be logical, as the</p> <p>18 owner of the noteholder, to ensure that you not</p> <p>19 hurt the underlying firms in a way that it would</p> <p>20 negatively affect the value of the CLO that</p> <p>21 you're holding.</p> <p>22 Q. So even if the contract clearly stated</p> <p>23 that the senior tranche holder did not have an</p> <p>24 obligation under the contract to fund money, is</p> <p>25 it your view, given your familiarity with these</p>	<p>1 Teague</p> <p>2 assets, that there might be a risk of needing to</p> <p>3 fund in order to keep the underlying borrowers</p> <p>4 healthy enough to repay -- to operate their</p> <p>5 businesses through the crisis and pay off the</p> <p>6 debts in the future?</p> <p>7 A. Yes, and it's an unknown and that's</p> <p>8 why there was legal risk.</p> <p>9 Q. In terms of the funding risk of the</p> <p>10 CLO itself, Pine, contributing its eligible</p> <p>11 investments to fund borrower calls rather than</p> <p>12 to pay out to tranche holders, is it your</p> <p>13 understanding that that risk was eliminated by</p> <p>14 the event of default in October 2008?</p> <p>15 A. Yes, that's my understanding.</p> <p>16 Q. And why was that information from</p> <p>17 October 2008 not used in valuing Pine as of</p> <p>18 September 22, 2008?</p> <p>19 A. Until such time it was an unknown and</p> <p>20 there was a valuation perspective from the front</p> <p>21 office to run different scenarios to what the</p> <p>22 outcome would be, but there was no means of</p> <p>23 seeing into the future. The valuation was</p> <p>24 performed as of 9/22 based on the data available</p> <p>25 as of 9/22.</p>

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<p>1 Teague</p> <p>2 Q. You were asked questions about the</p> <p>3 extent to which Barclays used internal auctions</p> <p>4 to value some of the assets acquired in the</p> <p>5 Lehman transaction. Do you recall those</p> <p>6 questions?</p> <p>7 A. Yes.</p> <p>8 Q. And you gave testimony about PMTG</p> <p>9 illiquid assets sometimes being valued based</p> <p>10 upon those internal auctions. Do you recall</p> <p>11 that?</p> <p>12 A. Yes.</p> <p>13 Q. Do you know with any certainty the</p> <p>14 volume of assets and the precise population of</p> <p>15 assets for which internal auctions were used to</p> <p>16 value the assets as valued on the acquisition</p> <p>17 balance sheet?</p> <p>18 A. I don't recollect.</p> <p>19 Q. Would that information be available in</p> <p>20 the spreadsheets that have been produced in this</p> <p>21 case?</p> <p>22 A. Yes, they would.</p> <p>23 Q. You were asked in one of exhibits you</p> <p>24 were shown by Mr. Oxford -- maybe we can just</p> <p>25 look at Exhibit 873.</p>	<p>1 Teague</p> <p>2 Do you have that in front of you?</p> <p>3 A. Yes.</p> <p>4 Q. This was a PwC e-mail from Mr. MacGoey</p> <p>5 where he lists out a number of points, one of</p> <p>6 which relates to the mid to bid adjustment, the</p> <p>7 point that begins "as it relates." Do you see</p> <p>8 that point?</p> <p>9 A. Yes.</p> <p>10 Q. It says, "As it relates to the</p> <p>11 adjustments from mid to bid, we have not</p> <p>12 received any documentation to support why the</p> <p>13 standard deviation of the pricing vendors is</p> <p>14 reasonable." And when you were shown that</p> <p>15 earlier, you said, in response, you recalled</p> <p>16 moving to a system where you would use the</p> <p>17 lowest vendor price. Do you recall that?</p> <p>18 A. Yes.</p> <p>19 Q. Did you use the lowest vendor price</p> <p>20 for every single category of assets that you</p> <p>21 were involved with or only for those where there</p> <p>22 were multiple vendor sources that were</p> <p>23 well-developed?</p> <p>24 A. Only for corporate bonds where we had</p> <p>25 multiple vendor sources that were</p>
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<p>1 Teague</p> <p>2 well-developed.</p> <p>3 Q. Can you explain the difference between</p> <p>4 the nature of the vendor, third-party vendors</p> <p>5 with pricing data for corporate debt and for</p> <p>6 other asset classes such as agency rates or</p> <p>7 other securities?</p> <p>8 A. For the corporate debt, there are</p> <p>9 quite a number of vendors that provide</p> <p>10 independent values, indicative values on a daily</p> <p>11 or monthly basis. This is due to the fact that,</p> <p>12 as an asset class, there is quite a bit of noise</p> <p>13 as far as pricing goes and it creates the</p> <p>14 foundation for more vendors to be able to get</p> <p>15 into that space, and historically that's why</p> <p>16 there is more pricing vendors for corporate</p> <p>17 bonds than for sometimes more liquid assets.</p> <p>18 Q. As a general matter, was PwC familiar</p> <p>19 with the methodologies used, ultimately used by</p> <p>20 you and your group to adjust to bid prices, fair</p> <p>21 market values and bid prices?</p> <p>22 MR. TAMBE: Objection. Foundation.</p> <p>23 A. Yes.</p> <p>24 Q. And to your knowledge and</p> <p>25 recollection, did they raise any material</p>	<p>1 Teague</p> <p>2 concerns with any of those methodologies that --</p> <p>3 did they have any disagreement with your</p> <p>4 methodologies that resulted in material</p> <p>5 differences in valuations?</p> <p>6 A. No, not that I can recollect.</p> <p>7 MR. HUME: I have no more questions.</p> <p>8 MR. TAMBE: Thank you. No questions.</p> <p>9 MR. OXFORD: No more. Thank you, Mr.</p> <p>10 Teague.</p> <p>11 THE WITNESS: You're welcome.</p> <p>12 (Time Noted: 6:34 P.M.)</p> <p>13 oOo</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p> <p>SEAN TEAGUE</p> <p>Subscribed and sworn to</p> <p>before me this day</p> <p>of 2010.</p>

Page 302	Page 303
<p>1 Teague 2 CERTIFICATE 3 STATE OF NEW YORK) 4 : ss 5 COUNTY OF NEW YORK) 6 I, Kathy S. Klepfer, a Registered 7 Merit Reporter and Notary Public within and 8 for the State of New York, do hereby 9 certify: 10 That SEAN TEAGUE, the witness whose 11 deposition is herein before set forth, was 12 duly sworn by me and that such deposition is 13 a true record of the testimony given by such 14 witness. 15 I further certify that I am not 16 related to any of the parties to this action 17 by blood or marriage and that I am in no way 18 interested in the outcome of this matter. 19 I further certify that neither the 20 deponent nor a party requested a review of 21 the transcript pursuant to Federal Rule of 22 Civil Procedure 30(e) before the deposition 23 was completed. 24 In witness whereof, I have hereunto 25 set my hand this 30th day of June, 2010. -----</p>	<p>1 Teague 2 INDEX 3 WITNESS: EXAMINATION BY PAGE 4 S. TEAGUE Mr. Tambe 5 5 Mr. Oxford 238 6 Mr. Hume 278 7 8 EXHIBITS: PAGE 9 Exhibit 864, a document bearing Bates Nos. 71 10 PwC-BarCap00046054 through 056 11 Exhibit 865, a document bearing Bates Nos. 87 12 BCI-EX-(S)-00201234 through 241 13 Exhibit 866, a document bearing Bates Nos. 111 14 LBHI 017959 through 964, with attachment 15 Exhibit 867, a document bearing Bates Nos. 116 16 BCI-EX-(S)-00201262 through 263, with attachment 17 Exhibit 868, a document bearing Bates Nos. 137 18 BCI-EX-(S)-00207849 through 850, with attachment 19 Exhibit 869, a document bearing Bates Nos. 180 20 BCI-EX-(S)-00207919 through 920, with attachment 21 Exhibit 870, a document bearing Bates Nos. 191 22 BCI-EX-(S)-00207943 through 944, with attachment 23 Exhibit 871, a document bearing Bates Nos. 228 24 BCI-EX-(S)-00180042 through 80063 25</p>
Page 304	Page 305
<p>1 Teague 2 INDEX (Cont'd.) 3 EXHIBITS: PAGE 4 Exhibit 872, a document bearing Bates Nos. 231 5 BCI-EX-(S)-00176591 through 591, with 6 attachment 7 Exhibit 873, a document bearing Bates Nos. 231 8 PwC-BarCap00008679 through 80 9 Exhibit 874, a document bearing Bates Nos. 251 10 BCI-EX-(S)-00176594 through 596 11 Exhibit 875, a document bearing Bates Nos. 255 12 BCI-EX-(S)-00201554 13 Exhibit 876, a document bearing Bates Nos. 262 14 BCI-EX-(S)-00231490, with attachment 15 Exhibit 877, a document bearing Bates Nos. 265 16 BCI-EX-(S)-00207941, with attachments 17 Exhibit 878, a document bearing Bates Nos. 276 18 PwC-BarCap 00025971 through 974 19 20 REQUEST FOR PRODUCTION: 21 Page 109, Line 13 22 23 24 25</p>	<p>1 Teague 2 NAME OF CASE: In re Lehman Brothers Holdings 3 DATE OF DEPOSITION: June 30, 2010 4 NAME OF WITNESS: Sean Teague 5 Reason Codes: 6 1. To clarify the record. 7 2. To conform to the facts. 8 3. To correct transcription errors. 9 Page _____ Line _____ Reason _____ 10 From _____ to _____ 11 Page _____ Line _____ Reason _____ 12 From _____ to _____ 13 Page _____ Line _____ Reason _____ 14 From _____ to _____ 15 Page _____ Line _____ Reason _____ 16 From _____ to _____ 17 Page _____ Line _____ Reason _____ 18 From _____ to _____ 19 Page _____ Line _____ Reason _____ 20 From _____ to _____ 21 Page _____ Line _____ Reason _____ 22 From _____ to _____ 23 Page _____ Line _____ Reason _____ 24 From _____ to _____ 25</p>

EXHIBIT 7

Michael Guarnuccio/US/ABAS/PwC
02/07/2009 10:14 AM
To Christopher A Fisher/US/ABAS/PwC@Americas-US
cc
bcc
Subject Fw: OBS - Valuation

Michael Guarnuccio | PricewaterhouseCoopers LLP

300 Madison Avenue | New York, NY 10017 | (646-471-2949 | 7: 813-375-6840) *: Michael.Guarnuccio@us.pwc.com

— Forwarded by Michael Guarnuccio/US/ABAS/PwC on 02/07/2009 10:14 AM —

Robert MacGoey/US/ABAS/PwC
02/07/2009 03:59 AM
300 Madison Avenue, New York, NY10017
"Reply to All" is Disabled
To Jon Holloway/UK/ABAS/PwC@EMEA-UK@INTL
cc Michael Guarnuccio/US/ABAS/PwC@Americas-US
Subject OBS - Valuation

1. Introduction

Barclays entered into an Acquisition Purchase Agreement (APA) on 16 September which was amended in a Clarification Letter (CL) dated 20 September. As part of the acquisition, Barclays acquired securities with fair value of approximately \$42.7bn (the "Lehman Portfolio") on September 22, 2008 through a \$45bn reverse repurchase agreement ("Repo") which was ultimately busted and Barclays took possession of the collateral. Barclays also received additional securities with a fair value of approximately \$3.7bn (the "JPM Portfolio") on December 22, 2008 in accordance with a Settlement Agreement approved by the Bankruptcy Court between Barclays, JP Morgan ("JPM") and LBI's Trustee. As of December 31, 2008 Barclays had also identified additional unencumbered securities of \$0.7bn which management believe Barclays have legal title to under paragraph 1(ii) of the CL which references assets held in LBI clearance boxes at the time of "Closing" which were listed in Schedule B. Even though the securities in the clearance boxes were not the same as those specified on Schedule B, the language of clause (b) of the CL is clear, according to Barclays Capital's Global General Counsel that Barclays is entitled to securities in the LBI clearance boxes at the time of Closing regardless of whether they were listed on Schedule B.

2. Date of Acquisition & Lehman Portfolio

The APA became effective before the opening of the UK stock markets on September 22, 2008 as confirmed with Jonathan Hughes (BarCap Global General Counsel) and Alan Kaplan (Associate General Counsel). The APA/CL stated that all securities held by Barclays under the repo would form part of the APA and both parties would be deemed to have no further obligations to each other. Legal title to the securities therefore passed on September 22, 2008 in accordance with the APA/CL, as confirmed with Jonathan Hughes (BarCap General Counsel) and Alan Kaplan (Associate General Counsel).

Consideration is often looked to as an indicator of the acquisition date. The \$45bn receivable from LBI under the Repo was waived on September 22, 2008, in accordance with the APA/CL, and therefore was effectively paid to LBI on that date. [Note that purchase consideration for the building at 745 7th Avenue and the \$250m cash amount per the APA were also wired to LBI on September 22, 2008].

From a control perspective, the Lehman Portfolio was received in Barclays custodian account as pledged collateral on September 18 and 19. Barclays could therefore sell or hedge the securities from the morning of September 22, 2008, as confirmed with John Rodefild (US Central Operations).

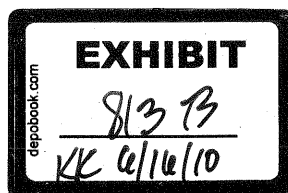
Therefore, the acquisition date is September 22, 2008. Legal title to the Lehman Portfolio passed to Barclays, the securities were received by Barclays and Barclays paid for the securities on September 22, 2008.

3. JPM Portfolio & Additional Unencumbered Securities

The JPM Portfolio and the additional unencumbered securities (securities in the clearance boxes discussed in first paragraph above) are classified as receivables on the opening balance sheet and valued on the opening balance sheet at dates other than September 22, 2008. See critical matter: "Recording of the Securities Received from JPM & Unencumbered Assets as Receivables."

4. Basis of Measurement

Paragraph 37a of SFAS 141, Business Combinations, ("FAS 141") requires marketable securities to be recorded at fair value. The Lehman Portfolio was fair valued as of September 22, 2008.



As noted above, the JPM Portfolio and the additional unencumbered securities are classified as receivables on the opening balance sheet. The JPM Portfolio and the Additional Unencumbered Assets were fair valued on December 22, 2008 and December 31, 2008, respectively, representing the estimate of the present value of amounts to be received in the future as of September 22, 2008.

5. Changes in Measurement Dates - Lehman Portfolio

September 19 (Friday) closing prices were originally used to estimate the fair value of the Lehman Portfolio as of opening September 22 (Monday). Management reconsidered its view and decided to use Closing prices September 22 as a better estimate of fair value as of opening September 22 due to the following reasons:

The commencement of LBI's SIPA liquidation on September 19, 2008 caused significant turmoil in the markets at that time and there was further downward pressure on prices over that weekend; and
Management could not source reasonable intra-day numbers for most asset classes and the S&P opening is a poor proxy for much of the Equity portfolio purchased.

For liquid assets, vendor pricing was used and therefore Barclays 9/19 vendor prices were updated with 9/22 vendor prices. Product Control Group - Price Testing ("PT") were asked to value the entire portfolio as of September 19. From inquiries, we understand that PT completed the process for approximately 8,000 CUSIPs in two days. Illiquid assets, which were originally held in the Portfolio Management Trading Group ("PMTG") Management Book, were priced by PT using matrix pricing (adjusted judgementally based on qualitative factors for each asset) or cash flow models as of September 19. There were no changes in marks from 9/19 to 9/22 as PT, due to lack of observability, could not differentiate prices between these two dates.

Barclays' policies and procedures require the Front-Office ("FO" or "Trader") to value trades (as the trading experts) and PT to independently verify FO marks. Between 9/22 and 9/30 PMTG transferred the majority of assets from the PMTG Management Book to the PMTG Trading Desks through an internal auction. As of 9/30, FO marked all positions and PT performed independent price verification over the FO marks, in accordance with Barclays policies and procedures. Management noted many differences in the 9/19 versus 9/30 prices. Due to lack of observability in prices for the products in PMTG, Management concluded that no significantly new pricing data was available on 9/30 that was not available on 9/19 and that the changes in prices were the result of the improved process (FO pricing and IPV testing, as opposed to PT only pricing) and the additional time afforded to PT as part of the month end process. PT produced a memo explaining that the differences between 9/19 and 9/30 for the top 50 positions were the result of errors in the 9/19 process (see below).

Therefore, for PMTG securities, Management used the results of the 9/30 pricing process as the best estimate of fair value as of 9/22. The impact of using the 9/30 fair value estimates versus the 9/19 estimates are captured in the table below.

6. Bid / Offer - Lehman Portfolio

Column 2 - 9/19 PT FV
Column 3 - Change in prices 9/19-9/22 for vendor prices
Column 4 - Change due to remark when transferred from PMTG mngt book to PMTG trading desk
Column 5 - Change in PMTG mngt book marks 9/19 - 9/30
Column 6 - Bid/offer adjustment
Column 7 - Estimated FV recorded in SAP

Barclays policies and procedures are that FO mark cash securities to bid prices. Therefore, no bid/offer adjustment is taken on cash securities. However, the liquid assets were priced using vendor prices as of 9/22, as noted above. Management believe that vendor prices received are mid-prices and therefore a bid-offer spread was applied to all liquid products. The following bullets address managements' rationale for the bid/offer reserves on the liquid Lehman Portfolio assets:

Emerging markets - A flat 3% was used. PT used a Bloomberg functionality that allows PT access to the runs the traders receive. The data is only available for a limited period and as the analysis was run in January 2009, November bid-offers were therefore used as indicative. The amount is deemed de minimis and no additional work performed.
Rates (Treasuries) - A 0.1% bid/offer was applied to Treasuries which is \$5.3m. The amount is deemed de minimis and no additional work performed.
Rates (Agencies) - A 5% bid/offer reserve was applied to Agency debt product. This comprises \$462.7m. Management's support for the 5% is that IPV results based on implied yield testing shows a desk conservative variance of approximately 5%. SFG noted this in their memo and therefore the adjustment of the implied yield to the trader price of approximately 5% would support a mid to bid adjustment.

The rationale for bid/offer on the remaining portfolios is as follows:

RMBS (Agency Mortgages) - Although vendor prices were available for Agency Mortgages, PT used an implied yield methodology. This implied yield methodology is consistent with their independent price verification approach to the legacy Barclays Agency Mortgage portfolios. Management applied a 10% bid/offer to Agency CMO (\$359.5m) and a 1% bid/offer to Agency Pools (\$90.4m). Two methods were used to estimate the bid/offer reserve. Method 1 was to take observable pricing indications from various sources and measure the differences at bond level. These variances were then averaged for Agency CMO product types. The Agency Pools variance was 1% and 10% for Agency CMOs. Method 2, using limited trade data available for the month of September, Management reviewed the Agency CMOs that had a BUY and a SELL on the same day. Using this information, the weighted average Bid/Offer spread for Agency CMOs was 10.5%. This was based on a trade sample of 39 Agency bonds. SFG reviewed the support provided and noted that this is a reasonable process for the Company's determination of the bid/offer reserve.
PMTG II - \$142.5m of the bid/offer spread is to adjust the price of the Pine CDO to 46, which is the FO price and the price PwC's FAVG believe is reasonable. Therefore, the bid/offer on PMTG appears reasonable and the \$1m excess is deemed de minimis.
PMTG - The majority of the positions are held in the PMTG management book. Management believes that the additional bid/offer is warranted given the additional write-downs taken upon transfers to PMTG trading desks, which they believe is indicative of mid-level prices in the PMTG Management Book.

7. Changes in Measurement Dates - JPM Portfolio

PT priced the JPM securities as of 12/22. FO priced the PMTG portfolio at 12/31 and PT performed independent price verification as at that date. Management identified a significant number of variances in the PMTG book between 12/22 and 12/31. Management concluded, using the same rationale as the 9/30 pricing point for 9/22 PMTG fair values, that 12/31 fair value estimates were a better indicator of the 12/22 fair value because of the inclusion of FO and PT in the pricing process. The following support was provided by the client. The difference in 12/22 final mark and 12/31 final mark for PMTG was \$33m, which was not recorded by Management and therefore posted to our SUD. The entry is Dr Negative Goodwill, Cr Trading Losses.

JPM 12-22 12-30 PCG Price Change.xls.zip JPM Port 312-22 vs. 12-31 Diff_doc.zip

8. Bid / Offer - JPM Portfolio

Due to the fact that all positions were priced by the FO at 12/31, no bid/offer was required at 12/31 to adjust the Traders' prices (and all PMTG positions were in PMTG trading desks at 12/31 and not the PMTG Management Book) PROVE??. Therefore, no bid/offer is applied to the fair value estimate at 12/31 (and therefore not at 12/22 as 12/31 is used a better indication of fair value).

9. Reconciliation of the above Tables to the Opening Balance Sheet

The following table reconciles the Lehman Portfolio and JPM Portfolio to the OBS:

The difference of \$20m was just above our de minimis level of \$18.75m. No further work performed on the reconciliation of the securities to the OBS as a result of the magnitude of the difference.

10. Summary of Valuation Procedures Performed - Lehman Portfolio

From a valuation testing perspective, the engagement team first divided the portfolio into positions priced using a vendor price and those priced in some other manner.

10.1 Positions priced using vendor prices [\$16.7bn]

Through our price testing across all areas of the business during the 2008 integrated audit, we have high controls reliance over the independent price verification function. Within that function we test the accuracy of pricing downloads from independent sources and are satisfied that the process of obtaining and attributing external prices accurately to positions is operating effectively. The process was performed centrally by the Credit Fixed Income PT team under Sean Teague. We therefore selected a sample of 60 prices as of 9/19 and sent the sample to IMSAG for testing. From the results of testing we concluded that the vendor prices used were appropriate.

We considered the source of the vendor prices and the instances where only one vendor price was used. The products priced using vendor prices were Agencies and Treasuries, Corporates and Emerging Markets. The inherent risk of the Agencies and Treasuries prices being materially misstated for these portfolios is considered remote given the liquidity in these markets. The inherent risk in the Corporate and Emerging Markets vendor prices increases because the markets in general and in certain single names will be less liquid. In addition, as part of the 1060 tax allocation work performed by the client, certain vendor prices were classed as Class III for tax purposes based on research performed by the traders whereby the last trade date or lot size called into question the accuracy of the vendor price.

Given the immaterial change in fair value from 9/19 - 9/22 and the fact that we concluded that no exceptions were noted from our 9/19 sample, we did not perform additional testing over the 9/22 marks.

10.2 Positions prices using other matrices, models or custodian price [\$16.2bn]

The following portfolios / sub-portfolios were fair valued as follows:

PMTG - Private Label Alt-A & Subprime MBS [\$1.3bn] - Front-office priced the portfolio and PCG performed independent price verification. PCG used discount margin matrices for subprime, alt-a and option ARM depending on collateral type which is consistent with the pricing testing approach for the legacy BarCap portfolio. However, there were many isoteric securities exhibiting different credit and structural features which the client applied spread adjustments, hand pricing or in some cases vendor pricing. PCG document the key judgements in pricing the top 50 positions and proved that the sensitivity of the remainder of the portfolio to a 10% adjustment in price resulted in a \$35m adjustment. PwC's Financial Instruments and Credit Group reviewed the explanations for the top 50 positions, agreed a sample of discount margins ("DMs") on various collateral types to the matrices, compared the September portfolio DMs to May DMs per the matrices to determine the reasonableness of the yields. As noted in 5 above, the 9/30 prices were used as a better indicator of fair value as of 9/22. The client provided explanations for any significant price changes from 9/19 to 9/30 and ultimately FICG concluded that the Company's process of using models and observable market data provide a reasonable basis for determining fair value. FICG also concluded that the pricing comparison provides a reasonable basis for their conclusion that the Lehman portfolio's credit characteristics and profile are different than legacy BarCap's assets and that the price differences between the Lehman and legacy BarCap portfolios are consistent with the differences.

PMTG - CDOs & CLOs [\$1.1bn] - PwC's Financial Analytics and Valuation Group (FAVG) reviewed PCG's initial discounted cash flow approach, agreeing the assumptions (CDR, CPR, yields and severity) to industry published data and assessing the reasonableness of the yields (as the valuation we insensitive to CDR & CPR) based on the tranche characteristics. FAVG also benchmarked the ending prices to LCDX derived prices. As noted in 5 above, the 9/30 prices were used as a better indicator of fair value as of 9/22. FAVG examined the changes in marks, where applicable, and ultimately FAVG concluded that the fair value as of 9/30 for the positions reviewed was not unreasonable, except for one position which they could not conclude on the change in price due to a lack of support (the further write-down of \$9.5m is immaterial but was aggregated with all other untested balances).

PMTG - CMBS [\$0.3bn] - PwC's REBAS proxy priced a sample of deals to TRIPs (vendor pricing) and observed pricing variances within the Lehman bonds due to the fact that many of the bonds are not triple A and therefore third party pricing is not as reliable. However, the prices did not appear unreasonable.

Rates - Munis [\$0.4bn] - Municipal bonds were priced using vendor prices less a 5-8% haircut to reflect liquidity conditions at 9/22. All Auction Rate Securities ("ARS") were priced at 80. FICG obtained prices for 60 municipal securities and found the clients prices to be within a reasonable range. FICG concluded that the clients process was a reasonable basis for determining fair value.

RMBS Agency Mortgages [\$13.1bn] - PCG priced the portfolio using a discounted cash flow approach incorporating the Blackrock prepayment speed model and estimated market yields. FICG stratified the portfolio into various categories and compared the implied yield on the Lehman portfolio to the implied yield on the legacy BarCap portfolio and concluded that the Lehman portfolio was within a reasonable range of the legacy portfolio. This benchmarking exercise provided comfort as the engagement team obtained high controls reliance over the independent price verification process which operated over the legacy portfolio which FICG benchmarked against.

Other [XXXX] - FAVG examined four securities with a mtrm of \$0.04m where PCG defaulted of the BNY price due a lack of collateral information. FAVG concluded that the write-up of one position due an EOD was the result of a post 9/22 date and therefore the pre-EOD mark was more appropriate (the write-up of \$10m was not recorded on the SUD as the amount is considered a difference in fair value views, immaterial and not an error).

11. Summary of Valuation Procedures Performed - JPM Portfolio [\$3.7bn]

The following portfolios / sub-portfolios were fair valued as follows:

Corporates [\$1.5bn] - The portfolio was priced using vendor prices. Consistent with 10.1 above, we selected a sample of 60 prices as of 9/19 and sent the sample to IMSAG for testing. From the results of testing we concluded that the vendor prices used were appropriate.

Corporates [\$0.1bn] - The Agency Mortgages [\$0.2bn] - The Agency Portfolio was priced using the average of two vendor prices which SFG deemed reasonable.

PMTG - Non-Agency Securities [\$0.4bn] - The process was consistent with the process over non-agency mortgages fair valued in the Lehman portfolio. SFG concluded this was reasonable.

PMTG - Manufactured Housing [\$0.2] - PCG use the Barclays servicer (HomeEq) subprime roll rate matrix, a 60% loss severity, CPR of 10, 20% yield and a 150% loss multiplier. SFG concluded that the assumptions are reasonable and reflective of the underlying collateral and current market conditions. SFG benchmarked the subprime roll rate matrix to the JP Morgan 6 month average and noted the assumptions utilized were consistent with market data. SFG concluded that

PMTG - Life Insurance ABS [\$0.5] - [COMMENT TO BE ADDED]

PMTG - Other ABS [\$0.3bn] - Other ABS included the following:

- Auto Other ABS (Vendor Pricing)
- Credit Cards Other ABS (5 CPR and DM between 590 - 1550 based on observable market research)
- FHA Other ABS (170 PSA, 15% Yield)
- Floor Plan Other ABS (Vendor Price)
- Litigation Fees (Desk Price due to lack of information)
- Franchise Other ABS (Vendor Price or Observable Trades)
- Student Loan Other ABS (FELP and 10 CPR 300DM)
- Unguaranteed Portions of SBA Loans (1300 DM, 0-1 CPR)
- Other ABS including Aircraft (Vendor Prices, Desk Prices)

Where analytics were not available, PCG observed the desk price. In contrast to the MBS book, PCG did not observe any reasonable volume of trades. PCG applied vendor pricing for autos and model pricing for credit cards. In the event that model pricing was used, PCG used observable spreads from market participants. SFG concluded that PCG's process provides a reasonable process for determining fair value, utilizing available, observable market based data points. SFG concluded that the pricing methodology for the respective asset classes noted above provides a reasonable basis for the Company's determination fair value and the prices noted with the portfolio are directionally in line with those in the market.

Conclusion:

Re # 5 - Due to the commencement of LBI's SIPA liquidation on September 19, 2008 causing significant turmoil in the markets at that time, further downward pressure on prices over that weekend, the fact that management could not source reasonable intra-day numbers for most asset classes, we do not take exception to the use of close of 9/22 as the measurement date.

Re # 6 - The bid/offer reserves appear reasonable based on the support provided

Re # 5 & 8 - Based on the more robust pricing process which is consistent with the results of our specialists, the 9/30 and 12/31 prices for PMTG appear to be a better indication of fair value as of 9/22 and 12/22, respectively.

Re # 11 - Based on our controls work performed during the audit and substantive procedures performed in reaction to the acquisition, we believe that the fair value of the financial instruments acquired is within a range of acceptable fair values. That acceptable range has been impacted by the current credit environment and is wider than it would otherwise be in a normal market because of the high level of subjectivity required due to the lack of observable market data. This is especially pronounced in the illiquid assets concentrated in the PMTG portfolio.

Robert MacGoey | Banking & Capital Markets Assurance Services | PricewaterhouseCoopers | Telephone: +1 646 471 4632 | Facsimile: +1 813 329 5758 | robert.macgoey@us.pwc.com

EXHIBIT 8

BOIES, SCHILLER & FLEXNER LLP

575 LEXINGTON AVENUE • 7TH FLOOR • NEW YORK, NY 10022 • PH. 212.446.2300 • FAX 212.446.2350

April 13, 2010

BY E-MAIL AND BY HAND

Tracy V. Schaffer, Esq.
Jones Day
222 East 41st Street
New York, NY 10017

In re Lehman Brothers Holdings Inc., et al., Case No. 08-13555 (JMP)

Dear Tracy:

Enclosed on disc are transcripts of depositions with blocked testimony that Barclays has designated. We also enclose Barclays' list of the individuals Barclays may call as witnesses during the evidentiary hearing either in person or by deposition designation.

Barclays reserves its right to counter-designate additional deposition testimony in response to the testimony designated by the Movants and also reserves its right to designate the testimony of the Movants' expert witnesses and any testimony of fact witnesses whose depositions have not yet been taken.

We expect that the witness list may be reduced substantially depending on the witnesses that the Movants plan to call and by the reduction of fact issues through stipulated core facts. We expect to be able to send you a proposed stipulation by tomorrow or Thursday.

Finally, we have included a supplement to our Exhibit List and ask that Movants supplement as soon as they have additions to their list.

Very truly yours,


Jack G. Stern

JGS:ck

cc: James C. Teece, Esq. (By Email and By-Hand, with Enclosures)
William R. Maguire, Esq. (By Email and By-Hand, with Enclosures)

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re

LEHMAN BROTHERS HOLDINGS INC., *et al.*,

Debtors.

Chapter 11 Case No.
08-13555 (JMP)
(Jointly Administered)

In re

LEHMAN BROTHERS INC.,

Debtor.

Case No. 08-01420 (JMP)

BARCLAYS CAPITAL INC. WITNESS LIST

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Barclays intends to call the following witnesses either to testify in person at the evidentiary hearing or by designation of their deposition testimony.

Azerad, Robert

Blackwell, Alastair

Brown, Alvin

Burian, Saul

Clackson, Patrick

Clark, Eric

Coles, David

Cox, Archie

Del Missier, Jerry

Diamond, Bob

Dziemian, Dan

Exall, Paul

Fazio, Michael

Felder, Eric

Fleming, Dan

Fogarty, James

Frelinghuysen, Anson

Hraska, James

Hughes, Jonathan

James, Elizabeth

Johnson, Alan

Jones, Craig

Kaplan, Alan

Karp, Marlo

Keegan, Mike

Keller, Andrew

Kelly, Martin

King, Stephen

Kiplok, Christopher

Kirk, Alex

Klein, Michael

Kobak, James

Korycki, Mary

Krishnan, Uma

Kruse, Philip

Landreman, Richard

LaRocca, Gerard

Leitner, Anthony

Leventhal, Shari

Lewkow, Vic

Lowitt, Ian

Malloy, Martin

Marsal, Bryan

Martini, Robert

McDade, Bart

McGee, Skip

Messineo, Robert

Miller, Harvey

O'Donnell, Dennis

Petrie, David

Pfleiderer, Paul

Purcell, Noel

Raisler, Ken

Ricci, Rich

Ridings, Barry

Rodefeld, John

Romain, Gary

Rosen, Edward

Seery, James

Shapiro, Mark

Teague, Sean

Tonucci, Paolo

Tully, Conor

Ullman, Neil

Varley, John

Vinella, Peter

Washtell, Mark

Yang, Jasen